

PRELIMINARY OFFICIAL STATEMENT DATED MAY 19, 2023

NEW ISSUE—FULL BOOK-ENTRY

RATING: Moody's: "Aa2"

See "MISCELLANEOUS – Rating" herein

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 "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 for tax years beginning after December 31, 2022.

\$32,000,000*

**EL SEGUNDO UNIFIED 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 El Segundo Unified School District (Los Angeles County, California) Election of 2018 General Obligation Bonds, Series C (the "Bonds"), in the aggregate principal amount of \$32,000,000*, were authorized at an election of the registered voters of the El Segundo Unified School District (the "District") held on November 6, 2018, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$92,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and to 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 the principal of and interest on the Bonds when due.

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 purchased, but will instead receive credit balances on the books of their respective nominees. The Bonds will be issued as current interest bonds. Interest on the Bonds accrues from the date of initial delivery and issuance of the Bonds (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2023.

Payments of the 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. See "THE BONDS – Book-Entry Only System" herein.

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.

MATURITY SCHEDULE*
(see inside front cover)

*Pursuant to the terms of a public sale on _____, 2023, 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, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2023.**

Dated: _____, 2023

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE

\$32,000,000*

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2018 General Obligation Bonds, Series C**

Base CUSIP⁽¹⁾: 284047

\$ _____ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP⁽¹⁾ Suffix
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\$ _____ - ____% Term Bonds due August 1, 20__; Yield: ____%; CUSIP⁽¹⁾ Suffix: _____

* Preliminary, subject to change.

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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 OVERALLOT 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 certain social media accounts. However, the information presented there is not part of this Official Statement, is not incorporated herein by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

EL SEGUNDO UNIFIED SCHOOL DISTRICT

Board of Education

Dieema A. Wheaton, *President*
Meredith J. Beachly, *Vice President*
Frank C. Glynn, *Clerk*
Tracey I. Miller-Zarneke, *Member*
Michael D. Wagner, *Member*

District Administration

Melissa Moore, Ed.D., *Superintendent*
Kimberlie Linz, *Chief Business Official*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
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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\$32,000,000*
EL SEGUNDO UNIFIED 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 El Segundo Unified School District (Los Angeles County, California) Election of 2018 General Obligation Bonds, Series C, in the principal amount of \$32,000,000* (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 El Segundo Unified School District (the “District”) was established as an elementary school district in 1910 and unified in 1927. The District is located in Los Angeles County (the “County”) along the Pacific Ocean, immediately southwest of the City of Los Angeles, and encompasses approximately 3.9 square miles. The District operates two elementary schools, one middle school, one high school, and one continuation school, as well as preschool and after-school programs.

For fiscal year 2022-23, the District has projected its average daily attendance (“ADA”) to be 3,276.06 and its enrollment to be 3,508, and taxable property within the District has a total assessed valuation of \$7,544,443,637. Approximately 28.7% of the assessed valuation of property within the District comes from a single taxpayer – Chevron (see “TAX BASE FOR REPAYMENT OF BONDS – Principal Taxpayers – Chevron” herein). Chevron is an oil and gas property. There have been significant recent fluctuations in the price of oil, including significant drops in 2020 due largely to the COVID-19 outbreak and increases in 2021 as pandemic restrictions were eased and global consumption increased. The assessed valuations of oil and gas properties are subject to fluctuation from year to year, in part to reflect current market conditions. The District can make no representation regarding the future price of oil, including whether there will be any further declines or prolonged volatility in oil markets as a result of the COVID-19 pandemic, or other economic or political factors. The District can also make no representation as to the effect the recent declines in the price of oil, and any potential future declines, may have on the value of taxable property within the District, or to what extent such declines could cause disruptions to economic activity within the boundaries of the District. See “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations – Oil and Gas Properties” herein.

The District is governed by a five-member Board of Education (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. Melissa Moore, Ed.D., is currently the District’s Superintendent.

* Preliminary, subject to change.

See “EL SEGUNDO UNIFIED SCHOOL DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein for information regarding the District generally and “TAX BASE FOR REPAYMENT OF BONDS” herein for information regarding the District’s assessed valuation. The audited financial statements of the District for fiscal year ending June 30, 2022 are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and to 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 State of California (the “State”) Government Code and other applicable law, and pursuant to a resolution adopted by the Board on March 28, 2023 (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 the 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,” “Bond Owners” 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, or any integral multiple thereof.

Redemption.* Certain of the Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as further described herein. See “THE BONDS – Redemption” herein.

Payments. The Bonds will be dated as of the date of initial delivery (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 August 1, 2023. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside front cover page hereof.

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

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 for tax years beginning after December 31, 2022.

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 June 20, 2023.*

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 listed 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 listed 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 (except with respect to certain personal property which is taxable at limited rates). For more

* Preliminary, subject to change.

complete information regarding the taxation of property within the District, see “TAX BASE FOR REPAYMENT OF BONDS,” “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19,” and “LIMITATION ON REMEDIES; BANKRUPTCY” herein.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, 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, a Professional Corporation, 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 El Segundo Unified School District, 641 Sheldon Street, El Segundo, California 90245, telephone: (310) 615-2650. 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.

Certain of 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 Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Act”), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the State Constitution (“Article XIII A”) and pursuant to the Resolution. The District received authorization at an election held on November 6, 2018 by the requisite 55% of the votes cast by eligible voters within the District to issue \$92,000,000 aggregate principal amount of general obligation bonds (the “2018 Authorization”). On June 26, 2019, the District issued its Election of 2018 General Obligation Bonds, Series A in the aggregate principal amount of \$27,000,000 (the “2018 Series A Bonds”). On August 26, 2020, the District issued its Election of 2018 General Obligation Bonds, Series B in the aggregate principal amount of \$33,000,000 (the “2018 Series B Bonds”). The Bonds are the third issuance of bonds pursuant to the 2018 Authorization, and following the issuance thereof, no portion* of the 2018 Authorization will remain unissued. See “EL SEGUNDO UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for additional information about the District’s outstanding general obligation bonds.

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 the 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 or maintain such a reserve for the Bonds, 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

* Preliminary, subject to change.

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 become 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 and interest 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 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 real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, outbreak of disease, 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 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 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 XIII A of the California Constitution," "TAX BASE FOR REPAYMENT OF BONDS" and "DISTRICT FINANCIAL INFORMATION" 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, both as to 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 XIII A. 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., as nominee for DTC. 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. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing August 1, 2023. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond will 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 immediately preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2023, in which event it will bear interest from the Date of Delivery. 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 front 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 Owner of such Bond 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 and redemption premiums, if any, payable on the Bonds are 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 are 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.

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Annual Debt Service

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

<u>Year Ending (August 1)</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Total Annual Debt Service</u>
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Total

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2023.

See also “EL SEGUNDO UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a summary of the debt service requirements of all of the District’s outstanding general obligation bonds.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 2033 are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 2034 are subject to optional redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2033, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

* Preliminary, subject to change.

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 Term Bonds to be so redeemed, the dates therefor and the final payment date are as indicated in the following table:

<u>Year Ending</u> <u>August 1</u>	<u>Principal</u> <u>To Be Redeemed</u>
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(1) Maturity.

In the event that a portion of the Term Bonds shown above is 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 by the District 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 determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in a 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 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 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

* Preliminary, subject to change.

(ii) overnight delivery service, to one of the Information Services; and (d) such Redemption Notice will be given 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 transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such transfer.

Payment of Redeemed Bonds. When a notice of redemption 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 “— 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 authenticate and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal 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. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “— Defeasance” herein, and if a Redemption Notice thereof will have been given substantially 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 so to be redeemed.

Conditional Notice of Redemption. 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 “— 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 given.

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 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 or completeness thereof. The District cannot and does not give any assurances that DTC, 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 3.6 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 DTC 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 effect 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, defaults, and proposed amendments to the Resolution. 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 and 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 the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 in "APPENDIX A" 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 system 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 the Bonds and any premium and interest 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 and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof, as applicable) 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 to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) 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 at any time 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 and discharge all such Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, 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 amounts transferred from the Debt Service Fund, if any, and any other cash, if required, in such amount as will, together with 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 premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the 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 such designated 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, 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 at least as high as direct and general obligations of the United States of America by either S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") or Moody's Investors Service ("Moody's").

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and to pay the costs of issuing the Bonds.

Building Fund. The proceeds of the sale of the Bonds, net costs of issuance (including underwriting discount), will be deposited in the "El Segundo Unified School District Election of 2018 General Obligation Bonds, Series C Building Fund" (the "Building Fund") and will be applied solely for the purposes authorized by the voters pursuant to the 2018 Authorization and for which the Bonds are issued. Any interest earnings on moneys held 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 will be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds.

Debt Service Fund. Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the fund held by the County and known as the "El Segundo Unified School District Election of 2018 General Obligation Bonds, Series C Debt Service Fund" (the "Debt Service Fund"). The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will also be deposited into the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Bond Proceeds. Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County's pooled investment fund. See "APPENDIX E – LOS ANGELES COUNTY TREASURY POOL" attached hereto.

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/Discount]
Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Debt Service Fund
Underwriting Discount
Costs of Issuance⁽¹⁾
Total Uses

⁽¹⁾ Reflects all costs of issuance of the Bonds to be paid from proceeds of the Bonds, including, but not limited to, the municipal advisory fees, legal fees, printing costs, rating agency fees, the costs and fees of the Paying Agent, and other costs of issuance of the Bonds.

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 ad valorem property taxes levied and collected by the County on taxable property in the District, which rates are unlimited as to rate or amount. 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 property 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 in 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. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises certain property not attached to land such as personal property or business property. Boats and airplanes are examples of such property. 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 enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer. After the second installment of taxes on the secured roll is delinquent, the tax collector will collect a cost of \$10 for preparing the delinquent tax records and giving notice of the delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by

payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. 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 XIII A. 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 XIII A (new construction, certain changes of ownership, 2% inflation) will be 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.

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Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2022-23 of \$7,544,443,637. The following table represents a 10-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 Years 2013-14 through 2022-23
El Segundo Unified School District

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2013-14	\$4,686,639,419	\$24,374,386	\$596,638,002	\$5,307,651,807	--
2014-15	4,699,386,365	13,289,373	389,672,057	5,102,347,795	(3.87)%
2015-16	4,878,560,091	37,902,192	456,612,431	5,373,074,714	5.31
2016-17	5,159,897,985	26,509,174	220,563,519	5,406,970,678	0.63
2017-18	5,861,054,713	26,412,903	213,499,641	6,100,967,257	12.84
2018-19	6,344,865,334	13,885,735	216,167,155	6,574,918,224	7.77
2019-20	6,592,501,875	8,424,647	263,687,340	6,864,613,862	4.41
2020-21	7,101,380,864	15,610,462	291,232,741	7,408,224,067	7.92
2021-22	6,731,007,299	15,610,208	472,702,956	7,219,320,463	(2.55)
2022-23	7,006,812,858	15,610,462	522,020,317	7,544,443,637	4.50

Source: California Municipal Statistics, Inc. Percent change calculated by the Municipal Advisor based on information provided by California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in real 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, fire (including wildfire), drought, flood, sea level rise, climate change, 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” and “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

Oil and Gas Properties. Over 28% of the District’s secured assessed valuation in fiscal year 2022-23 is derived from oil and gas properties. The assessed valuations of oil and gas properties are subject to fluctuation from year to year, in part to reflect current market conditions. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Oil and Gas Producing Properties” herein. In recent years, the District has experienced fluctuations in assessed value from oil and gas properties, with drops in assessed valuation in certain years resulting from lower oil prices, including significant drops in 2020 resulting from the COVID-19 pandemic, and attendant increases as pandemic restrictions were eased and global consumption returned. See also “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. For purposes of setting the assessed valuation of oil and gas properties in the County, the market price of oil on January 1 of the preceding fiscal year is used.

The District can make no representation regarding the future price of oil, including whether there will be any further declines or prolonged volatility in oil markets, including volatility resulting from the

COVID-19 pandemic or other global economic or political factors. The District can also make no representations as to the effect the declines in the price of oil, and any potential future declines, may have on the value of taxable property within the District, or to what extent such declines could cause disruptions to economic activity within the boundaries of the District. See also “—Principal Taxpayers” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Oil and Gas Producing Properties” herein.

Seismic Events. The District is located a seismically active region of the State, into which extend several major earthquake faults. 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. In recent years the State has experienced severe drought conditions. In January of 2014, the Governor of the State (the “Governor”) declared a statewide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history, the State’s rivers and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. In April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. On May 10, 2021, the Governor expanded the emergency drought declaration to include an additional 39 counties throughout the State. On July 8, 2021 the Governor expanded the declaration to further include an additional nine counties. On October 19, 2021, the Governor extended the declaration to include the remaining counties in the State, including the County, such that the drought state of emergency was in effect Statewide. On March 28, 2022, the Governor issued Executive Order N-7-22, which directed the Water Board to issue drought regulations, including a recommendation to have urban water suppliers initiate water shortage contingency plans.

Significant snowfall and precipitation in the State commencing in January 2023 have generally eliminated most of the State’s drought conditions. According to the U.S. Drought Monitor, portions of the State in the far north and lower south-west regions continue to be classified in the abnormally to severe drought categories, however, the majority of the State, including the County, is currently classified as having no drought conditions. In addition, on March 24, 2023, the Governor rescinded most of his emergency drought declarations, including Executive Order N-27-22. The District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future.

The District cannot make any representation regarding the effects that the drought had, or, if it should reoccur, may have on the value of taxable property within the District, or to what extent future droughts could cause disruptions to economic activity within the boundaries of the District.

Wildfires. In addition, major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020 and summer of 2021. The District did not sustain any damage as a result of the recent fires. However, serious and significant property damage has resulted in other areas of the State, including within the County, 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, drought, 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 is 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.

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, climate change, or toxic contamination pursuant to relevant provisions of the State Constitution. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value 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 XIII A.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created 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 took 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 continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear 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. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction

The following table shows the distribution of taxable property within the boundaries of the District by jurisdiction, as measured by assessed valuation for fiscal year 2022-23.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2022-23
El Segundo Unified School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of El Segundo	\$7,544,443,637	100.00%	\$16,111,996,950	46.83%
Total District	\$7,544,443,637	100.00%		
Los Angeles County	\$7,544,443,637	100.00%	\$1,894,097,540,559	0.40%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use

The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2022-23 assessed valuation of such parcels.

**ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2022-23
El Segundo Unified School District**

	2022-23	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u> ⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Commercial	\$851,356,141	12.15%	311	6.28%
Vacant Commercial	4,851,633	0.07	8	0.16
Industrial/Oil & Gas	2,382,205,707	34.00	217	4.38
Vacant Industrial	19,079,631	0.27	34	0.69
Recreational	1,372,238	0.02	5	0.10
Government/Social/Institutional	13,223,521	0.19	54	1.09
Miscellaneous & Utilities	<u>8,457,957</u>	<u>0.12</u>	<u>34</u>	<u>0.69</u>
Subtotal Non-Residential	\$3,280,546,828	46.82%	663	13.38%
<u>Residential:</u>				
Single Family Residence	\$2,221,821,215	31.71%	2,713	54.76%
Condominium/Townhouse	535,189,556	7.64	772	15.58
2-4 Residential Units	415,476,409	5.93	469	9.47
5+ Residential Units/Apartments	532,923,697	7.61	302	6.10
Vacant Residential	<u>20,855,153</u>	<u>0.30</u>	<u>35</u>	<u>0.71</u>
Subtotal Residential	\$3,726,266,030	53.18%	4,291	86.62%
Total	\$7,006,812,858	100.00%	4,954	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 2022-23 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 2022-23 El Segundo Unified School District

	<u>No. of Parcels</u>	<u>2022-23 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	2,713	\$2,221,821,215	\$818,954	\$692,124

<u>2022-23 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$99,999	192	7.077%	7.077%	\$15,285,558	0.688%	0.688%
100,000 - 199,999	203	7.482	14.560	29,245,580	1.316	2.004
200,000 - 299,999	133	4.902	19.462	33,686,283	1.516	3.520
300,000 - 399,999	181	6.672	26.133	62,799,996	2.827	6.347
400,000 - 499,999	253	9.325	35.459	113,933,409	5.128	11.475
500,000 - 599,999	228	8.404	43.863	125,442,282	5.646	17.121
600,000 - 699,999	178	6.561	50.424	115,267,677	5.188	22.309
700,000 - 799,999	166	6.119	56.543	124,121,796	5.586	27.895
800,000 - 899,999	149	5.492	62.035	126,865,489	5.710	33.605
900,000 - 999,999	155	5.713	67.748	147,143,843	6.623	40.228
1,000,000 - 1,099,999	133	4.902	72.650	139,872,144	6.295	46.523
1,100,000 - 1,199,999	110	4.055	76.705	126,141,735	5.677	52.201
1,200,000 - 1,299,999	90	3.317	80.022	111,737,925	5.029	57.230
1,300,000 - 1,399,999	86	3.170	83.192	116,391,546	5.239	62.468
1,400,000 - 1,499,999	85	3.133	86.325	123,504,118	5.559	68.027
1,500,000 - 1,599,999	78	2.875	89.200	120,442,754	5.421	73.448
1,600,000 - 1,699,999	59	2.175	91.375	97,230,509	4.376	77.824
1,700,000 - 1,799,999	36	1.327	92.702	62,827,078	2.828	80.652
1,800,000 - 1,899,999	47	1.732	94.434	86,955,254	3.914	84.566
1,900,000 - 1,999,999	38	1.401	95.835	73,758,445	3.320	87.885
2,000,000 and greater	<u>113</u>	<u>4.165</u>	100.000	<u>269,167,794</u>	<u>12.115</u>	100.000
	2,713	100.000%		\$2,221,821,215	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 2013-14 through 2021-22.

SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2013-14 through 2021-22 El Segundo Unified School District

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2013-14	\$5,580,121.35	\$80,481.90	1.44%
2014-15	5,379,333.81	75,855.92	1.41
2015-16	5,692,417.80	78,963.20	1.39
2016-17	5,725,129.83	66,441.05	1.16
2017-18	6,517,995.57	79,364.35	1.22
2018-19	7,028,598.53	94,229.96	1.34
2019-20	7,383,574.53	163,375.55	2.21
2020-21	7,991,924.35	133,807.13	1.67
2021-22	7,780,559.14	120,303.50	1.55

	<u>Secured Tax Charge⁽²⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2013-14	\$3,447,648.90	\$17,135.06	0.50%
2014-15	3,924,288.73	22,072.38	0.56
2015-16	4,302,556.80	19,955.39	0.46
2016-17	4,178,713.92	21,108.37	0.51
2017-18	6,941,764.61	34,408.88	0.50
2018-19	4,180,505.70	21,635.96	0.52
2019-20	7,644,416.22	90,307.30	1.18
2020-21	7,572,202.54	57,970.47	0.77
2021-22	7,945,034.05	70,264.29	0.88

⁽¹⁾ 1% general fund apportionment.

⁽²⁾ District's general obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

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 the spread of COVID-19 or other outbreak of disease or natural or manmade disaster. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the principal of and interest on the Bonds when due.

Alternative Method of Tax Apportionment – “Teeter Plan”

Certain counties in the State 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 secured property tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not 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 2021-22 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 110% 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.

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 period from fiscal years 2018-19 through 2022-23.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES (TRA 3708)⁽¹⁾
Fiscal Years 2018-19 through 2022-23
El Segundo Unified School District

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
El Segundo Unified School District	0.065571	0.111231	.105001	.115940	.108837
El Camino Community College District	0.022229	0.021555	.023624	.022639	.022989
Metropolitan Water District	<u>0.003500</u>	<u>0.003500</u>	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>
Total Tax Rate	1.091300%	1.136286%	1.132125%	1.142079%	1.135326%

⁽¹⁾ The fiscal year 2022-23 assessed valuation of TRA 3708 is \$7,521,203,829, which is 99.69% of the District’s fiscal year 2022-23 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 2022-23 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 2022-23 El Segundo Unified School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2022-23 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Chevron USA Inc.	Industrial – Refinery	\$2,011,626,034	28.71%
2.	BRE El Segundo Property Owner A&B	Hotel	129,920,814	1.85
3.	TREA Pacific Coast Highway LLC	Office Building	98,285,193	1.40
4.	Smoky Hollow Industries LLC	Industrial	78,038,706	1.11
5.	Felcor LAX Hotels LLC	Hotel	72,000,000	1.03
6.	KR North PCH LLC	Office Building	63,090,340	0.90
7.	CSHV Walnut Creative Office LLC	Office Building	57,963,243	0.83
8.	El Segundo CA I FGF LLC	Industrial	47,940,000	0.68
9.	Boeing Co.	Office Building	37,450,008	0.53
10.	NGP VI El Segundo CA LLC	Office Building	34,274,867	0.49
11.	Griffin Grandkansas II LLC	Industrial	34,194,204	0.49
12.	William Ruane	Apartments	20,766,391	0.30
13.	ESS Prisa LLC	Industrial	18,028,720	0.26
14.	Richard C. Vasak Trust	Apartments	17,929,639	0.26
15.	1750 Sycamore LLC	Apartments	17,813,052	0.25
16.	Bluebelle Majestic LP	Apartments	17,552,746	0.25
17.	Grace Kadoya	Apartments	15,288,703	0.22
18.	GCPI LLC	Office Building	15,282,698	0.22
19.	Satco Inc.	Industrial	14,180,991	0.20
20.	Carol Houston Trust	Apartments	14,041,411	0.20
			\$2,815,667,760	40.18%

⁽¹⁾ The fiscal year 2022-23 local secured assessed valuation of the District is \$7,006,812,858.

Source: *California Municipal Statistics, Inc.*

Concentration of Ownership. Ownership of property in the District is highly concentrated, with the 20 largest local secured taxpayers accounting for approximately 40% of the 2022-23 secured assessed valuation, and the single largest local secured taxpayer, Chevron USA Inc. (“Chevron”), accounting for over 28% of the District’s 2022-23 secured assessed valuation. Non-payment of property taxes by a large secured taxpayer in the District could reduce the District’s share of local property taxes.

Oil and gas properties, such as Chevron, are taxable as real property, however, special rules apply to the determination of their assessed value, and their assessed value is determined by the County Assessor’s office. See “— Assessed Valuations – Oil and Gas Properties” herein. The SBE is empowered to prescribe rules and regulations governing local assessors’ uniform assessment of certain types of properties, and pursuant to such authority, has adopted Rule 468 with respect to oil and gas producing properties. Rule 468 establishes specific appraisal principals and procedures designed to satisfy

the requirements of State law with respect to property taxation. The appraisal methodology takes into account variables such as base year values of the land, increases and reductions in recoverable amounts of minerals, volumes of proved reserves, as well as discoveries, construction of improvements or changes in economic conditions, among others. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Oil and Gas Producing Properties” herein. Consequently, the assessed valuation of oil and gas producing properties may be subject to more fluctuations in assessed values than other types of property.

As previously mentioned, there have been recent significant reductions in the market price of oil as a result of the COVID-19 outbreak. These recent reductions, or additional reductions in the market price of oil or continued volatility in oil markets, may have adverse economic impacts within the District. See “—Assessed Valuations – Oil and Gas Properties” herein.

Chevron. Chevron owns property representing 28% of the District’s fiscal year 2022-23 local secured assessed valuation. As a result, a significant portion of the debt service due on the Bonds is payable from *ad valorem* property taxes levied upon Chevron’s property. The Chevron property consists of a large oil refinery (the “El Segundo Refinery”) and other industrial property, covering approximately 1,000 acres. The El Segundo Refinery has been in operation since 1911, and in December 2010 the California State Lands Commission granted a lease to Chevron for use of the tidelands off the shore of the refinery for a period of 30 years. The El Segundo Refinery is the largest producing oil refinery on the west coast, and, as of January 1, 2022, was the nineteenth largest oil refinery in the United States and second largest oil refinery in the State by capacity. As of such date, the El Segundo Refinery had a production capacity of approximately 269,000 barrels of crude oil per day.

In the past, Chevron has filed assessment appeals related to its property within the District under the Proposition 8 provisions allowing for the reassessment of property due to a decline in value. See “—Assessed Valuations – Appeals and Adjustments of Assessed Valuations” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article IIIA of the California Constitution” herein. Appeals of assessed valuations of Chevron’s property within the District are currently pending. In the event the County Assessor determines that the assessed value of such property is lower than the assessed value as determined pursuant to Proposition 13, the assessed value of Chevron’s property within the District may be decreased. No assurance can be given that such property tax appeals or actions by the County Assessor will not significantly reduce the assessed valuation of Chevron’s property within the District, or that Chevron will not file additional appeals in the future.

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The following table presents the historical assessed value of Chevron’s property located within the District over the last 10 years.

**HISTORICAL ASSESSED VALUATION OF
CHEVRON PROPERTY IN THE DISTRICT
Fiscal Years 2013-14 through 2022-23**

	<u>Chevron Assessed Valuation</u>	<u>% of Total</u>
2013-14	\$1,766,680,135	37.70%
2014-15	1,898,584,058	40.40
2015-16	1,801,214,074	36.92
2016-17	1,798,391,108	34.85
2017-18	2,293,624,382	39.13
2018-19	2,399,556,672	37.82
2019-20	2,438,155,503	36.98
2020-21	2,589,450,153	36.46
2021-22	2,069,633,806	30.75
2022-23	2,011,626,034	28.71

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. effective as of April 1, 2023, for debt issued as of March 6, 2023. 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
El Segundo Unified School District**

2022-23 Assessed Valuation: \$7,544,443,637

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/23</u>
Metropolitan Water District	0.208%	\$39,967
El Camino Community College District	5.413	25,091,261
El Segundo Unified School District	100.000	<u>73,994,777</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$99,126,005
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.398%	\$10,360,980
Los Angeles County Superintendent of Schools Certificates of Participation	0.398	13,546
City of El Segundo General Fund and Pension Obligation Bonds	46.825	67,879,444
Los Angeles County Sanitation District South Bay Cities Authority	0.038	<u>82</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$78,254,052
COMBINED TOTAL DEBT		\$177,380,057 ⁽²⁾

Ratios to 2022-23 Assessed Valuation:

Direct Debt (\$73,994,777).....	0.98%
Total Direct and Overlapping Tax and Assessment Debt.....	1.31%
Combined Total Debt	2.35%

⁽¹⁾ Excludes the Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

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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 XIII A, XIII B, XIII C and XIII D 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 ad valorem property 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 ad valorem 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 XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A 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 XIII A 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 XIII A 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, sales or transaction tax on real property. Article XIII A 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 XIII A requires

the approval of two-thirds or more of all members of the legislature of the State (the “State Legislature”) to change any state taxes for the purpose of increasing tax revenues.

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (“Proposition 19”), which amends Article XIII A 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 XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. 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 State Supreme Court have upheld the general validity of Article XIII A.

Oil and Gas Producing Properties

On June 29, 1979, the State Board of Equalization adopted Rule 468 (“Rule 468”) to establish valuation principles for oil and gas interests. The right to remove petroleum and natural gas from the earth is considered a taxable real property interest. Rule 468 provides that increases in recoverable amounts of such minerals caused by changed physical or economic conditions constitute additions to such a property interest and that a reduction in recoverable amounts of minerals caused by production or changes in the expectation of future production capabilities constitute a reduction in the interest.

Rule 468 provides that the unique nature of oil and gas mineral property interests requires the application of specialized appraisal techniques designed to satisfy the requirements of Article XIII A. Rule 468 uses an appraisal unit valuation consisting of four components: (i) proved reserves, (ii) wells, casings and parts thereof, (iii) land (and other mineral interests), and (iv) improvements.

The market value of an oil and gas mineral property interest is determined by estimating the value of the volumes of proved reserves. Proved reserves are those which geological and engineering information indicate with reasonable certainty to be recoverable in the future, taking into account

reasonably projected physical and economic conditions. Present and projected economic conditions are determined by reference to all economic factors considered by knowledgeable and informed persons engaged in the operation and buying or selling of such properties, e.g. capitalization rates, product prices and operation expenses.

Rule 468 provides that the base year value of the property is estimated as of lien date 1975 or as of the date a change in ownership occurs subsequent to lien date 1975. Newly constructed improvements and additions in reserves are valued as of the lien date of the year for which the roll is being prepared. Improvements removed from the site are deducted from taxable value. The base year values are determined using factual market data such as prices and expenses ordinarily considered by knowledgeable and informed persons engaged in the operation, buying, and selling of oil, gas and other mineral-producing properties and the production therefrom. Once determined, a base year value may be increased no more than 2% per year. However, the base year reserve values must be adjusted annually for the value of depleted reserves caused by production or changes in the expectation of future production and additions to reserves established in a given year by discovery, construction or improvements, or changes in economic conditions.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A 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 within the same county, 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 XIII A 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.

The District cannot provide make any representation regarding the effect Propositions 50 and 171 may 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.

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 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. See “DISTRICT FINANCIAL INFORMATION” herein.

Article XIII B of the California Constitution

Article XIII B (“Article XIII B”) 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 XIII B 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 XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B 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 bonded 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 XIII B 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 XIII B 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" herein.

Article XIII C and Article XIII D 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 XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), 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 XIII C 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 XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D 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 XIII A. 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 XIII C 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 XIII D. 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 XIII B 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 State 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 XIII B 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. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B 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. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B 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. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B 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 XIII B 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) approximately 40% 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 XIII B by reference to per capita personal income) and enrollment (“Test 2”). Under Proposition 111, K-14 school districts 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, K-14 school districts 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 K-14 school districts 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. Proposition 39 is an initiated Constitutional amendment that (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, such that 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 school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school 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 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election would not exceed \$60 (for a unified school district, such as the District), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A. 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 expected 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 projected 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 for school districts and community college districts. See "– 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 XIII B 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 State 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 State 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 of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 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 (previously known as basic aid districts) and small school districts having fewer than 2,501 units of ADA.

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.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as “Proposition 51”) is an initiative that was approved by State voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. 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. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school facilities (\$500 million) and technical education facilities (\$500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual State budget process.

The District makes no representation or guarantee that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D and Propositions 22, 26, 30, 39, 51, 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 the District's general fund finances and 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 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 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. Since 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"), enacted as part of the fiscal year 2013-14 State budget, established the current system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97, as amended by SB 91, is 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 are as follows: (i) \$6,845 for grades 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 current budgetary legislation.

The Base Grants for grades K-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 were also required to make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. 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.

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). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized 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 2013-14 through 2022-23.

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ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2022-23
El Segundo Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾				Enrollment⁽²⁾		
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>	<u>Total ADA</u>	<u>Total Enrollment</u>	<u>% of EL/LI Enrollment</u>
2013-14	891.88	661.19	506.43	1,230.57	3,290.07	3,431	16.50%
2014-15	882.52	703.39	519.68	1,248.86	3,354.45	3,477	14.40
2015-16	850.55	718.35	529.20	1,242.10	3,340.20	3,471	15.70
2016-17	897.25	710.12	548.16	1,186.13	3,341.66	3,469	14.82
2017-18	885.30	750.44	520.12	1,198.24	3,354.10	3,474	18.45
2018-19	883.20	703.38	529.81	1,211.45	3,327.84	3,453	17.09
2019-20	920.92	696.26	532.68	1,222.89	3,372.75	3,502	16.05
2020-21	920.92	696.26	532.68	1,222.89	3,372.75	3,448	15.66
2021-22	847.03	639.44	505.54	1,279.36	3,271.37	3,458	13.45
2022-23 ⁽³⁾	877.68	637.65	501.44	1,259.29	3,276.06	3,508	13.49

(1) Except for fiscal year 2022-23, 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 and the ADA for fiscal year 2020-21 is based on the fiscal year 2019-20 ADA. See “- Considerations Regarding COVID-19” herein. In addition, due to the hold harmless provision provided for in the 2020-21 State budget, the District was funded based on its 2019-20 ADA through fiscal year 2021-22.

(2) Enrollment 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 State Department of Education. CALPADS figures exclude preschool and adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Since fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students has been 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) Projected.

Source: *El Segundo Unified 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 discontinuation 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 was paid incrementally over the implementation period of the LCFF. The District did not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants is 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, yields 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 State Legislature to school districts.

Community Funded Districts. Certain school districts, known as “community funded” districts (or alternatively as “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 funded school districts receive certain other non -LCFF State funding, which is deemed to satisfy the “basic aid” requirement guaranteed by Article IX, Section 6 of the State Constitution. The implication for community funded 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 funded district, and does not expect to in future fiscal years.

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 in meeting 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 with identifying and implementing programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts with achieving 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 to (i) 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.

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 and Local Sources. The federal government provides funding for several school district 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. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, developer fees, redevelopment revenues, lottery funds and other local sources.

El Segundo Education Foundation. The El Segundo Education Foundation (the “Foundation”) is an independent 501(c)(3) nonprofit corporation founded in 1983, providing financial support to the District. Under GASB rules, the Foundation is not a component unit of the District for financial reporting purposes. Foundation contributions to the District are deposited into the District’s general fund. The table below sets forth the Foundation’s approximate contributions to the District for the last five years and the projected contribution for the current fiscal year.

**FOUNDATION CONTRIBUTIONS TO DISTRICT
Fiscal Years 2017-18 through 2022-23
El Segundo Unified School District**

<u>Fiscal Year</u>	<u>Foundation Contributions</u>
2017-18	\$1,500,000
2018-19	1,500,000
2019-20	1,800,000
2020-21	1,800,000
2021-22	1,800,000
2022-23 ⁽¹⁾	1,800,000

⁽¹⁾ Projected.

Source: El Segundo Unified School District.

Developer Fees. The District receives developer fees for new residential and commercial/industrial development within the District pursuant to Government Code Section 65995 (the “Developer Fees”). The Developer Fees received by the District are deposited into the District’s Developer Fees Fund and are required to be used for facility improvements and construction necessitated by student population increases resulting from such development. The table below sets forth the Developer Fees collected by the District for the last five years and the projected amount for the current fiscal year.

DEVELOPER FEES
Fiscal Years 2017-18 through 2022-23
El Segundo Unified School District

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
2017-18	\$547,218
2018-19	189,580
2019-20	105,786
2020-21	161,358
2021-22	82,864
2022-23 ⁽¹⁾	203,000

⁽¹⁾ Projected.

Source: *El Segundo Unified School District.*

The District, however, can make no representations that the Developer Fees will continue to be collected by the District in amounts consistent with prior years or as currently projected.

Sale of District Property. The District sold the Imperial Street School property (the “Imperial Site”) in July 2015 for \$22,625,000. On June 27, 2017, the Board approved the investment of \$16,000,000 of the proceeds from the sale of the Imperial Site. This action established an endowment that is expected to provide an ongoing revenue stream for the express purpose of improving technology infrastructure, ongoing maintenance of District facilities, or capital outlay.

The District currently expects the initial investment of \$16,000,000 to earn annual interest in the amount of \$524,000. Interest earned is deposited into the District’s Special Reserve Fund for Capital Outlay Projects. The balance of the endowment as of March 1, 2023 was \$18,401,150.

Chevron Partnership. Chevron, the largest taxpayer in the District, provides funding to the District in the form of monetary grants and in-kind services. The grants total approximately \$300,000 to \$350,000 each year, and the funds are allocated for educational programs. In fiscal year 2022-23, Chevron provided an additional \$25,000 grant for the District’s music program. While the District expects to continue to receive grants from Chevron, the District can make no representations that Chevron will continue to provide grants in amounts consistent with prior years.

Considerations Regarding COVID-19

General. An outbreak of disease or similar public health threat, such as the ongoing coronavirus (“COVID-19”) pandemic, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results.

The spread of COVID-19 continues to have significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a

pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations was to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for the then-expected wider spread of the virus.

To date there have been millions of confirmed cases in the United States, and over one million deaths related to COVID-19. Although vaccines and vaccine boosters are currently widely available, no representation can be made as to whether the number of cases will continue to grow. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and significant increases in inflation as these restrictions and closures have been lifted. Stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

Federal Response. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriated over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. On December 27, 2020, the President of the United States signed the Coronavirus Relief and Response Supplemental Appropriations Act, 2021 (“CRRSA”), which included approximately \$900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The CRRSA provided approximately \$82 billion of COVID-19 related relief for education, including \$54.3 billion for K-12 schools (largely through Title I funding), \$22.7 billion for higher education and \$4 billion for state governors to spend at their discretion. On March 12, 2021, the President signed the American Rescue Plan Act of 2021 (the “American Rescue Plan”), which provides approximately \$1.9 trillion in federal economic stimulus intended to accelerate the recovery from the COVID-19 pandemic. The American Rescue Plan provides direct payments to individuals, extends unemployment benefits, provides funding to distribute COVID-19 vaccines and provides funding for schools, higher education institutions, state, tribal governments and businesses.

State Response. In response to the COVID-19 pandemic, on March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which took effect immediately. SB 89 amended the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specified that for school districts that comply with Executive Order N–26–20 (as defined herein), the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevented the loss of funding related to an instructional time penalty because of a school closed due to the COVID–19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID–19, (iii) required a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID–19, and (iv) appropriated \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites. Additionally, the Governor, on March 4, 2021, signed into law Assembly Bill 86 (“AB 86”), urgency

legislation which provided approximately \$6.6 billion to accelerate the return of in-person school instruction and expand student support. See also “—State Budget Measures” herein.

On June 29, 2020, Senate Bill 98 (“SB 98”), the education omnibus bill to the 2020-21 State budget, was signed by the Governor, which took effect immediately. SB 98 provided that distance learning could be offered by a school district during the 2020-21 academic year on a local educational agency or schoolwide level as a result of an order or guidance from a State public health officer or a local public health officer or for pupils who are medically fragile or would be put at risk by in-person instruction, or who are self-quarantining because of exposure to COVID-19. SB 98 provided requirements for distance learning, including, but not limited to: (i) confirmation or provision of access for all pupils to connectivity and devices adequate to participate in the educational program and complete assigned work, (ii) content aligned to grade level standards that is provided at a level of quality and intellectual challenge substantially equivalent to in-person instruction, (iii) support for pupils who are not performing at grade level or need support in other areas, (iv) special education services, (v) designated and integrated instruction in English language development for English learners, and (vi) daily live interaction with certificated employees and peers.

District Response. The District closed its school in March 2020 and implemented distance learning for all students through the remainder of the school year as well part of fiscal year 2020-21. The District returned to in-person instruction in fiscal year 2020-21.

State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor enacted Executive Order N-26-20 (“Executive Order N-26-20”), which (i) generally streamlined the process of applying for such waivers for closures related to COVID-19 and (ii) directed school districts to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

The District has been awarded approximately \$7,049,003 in COVID-19-related relief funding, of which the District has spent approximately \$3,920,494. This funding includes (i) approximately \$261,025 in learning loss mitigation funding, (ii) approximately \$251,788 from the Elementary and Secondary School Emergency Relief Fund (“ESSER I”) funded by the CARES Act, (iii) \$136,623 from the Governor’s Emergency Education Relief Fund (“GEER I”) funded by the CARES Act (iv) approximately \$954,737 from ESSER (“ESSER II”) funded by the Consolidated Appropriations Act, 2021, and (v) approximately \$2,145,571 from ESSER (“ESSER III”) funded by the American Rescue Plan. The District has also been awarded approximately \$2,125,783 of Expanded Learning Opportunities Grants and \$1,173,476 of In-person Instruction Grants pursuant to AB 86. The District, however, can make no representation whether all expected funds will be received, what the timing of receipt of such funds might be, or whether the District can expend funds prior to any applicable grant expiration dates.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction when schools are closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program

and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See "EL SEGUNDO UNIFIED SCHOOL DISTRICT – District Retirement Systems" herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the effectiveness of available vaccines in containing the spread or mutation of the virus, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including, but not limited to: the Governor's office (<http://www.gov.ca.gov>), California Department of Public Health (<https://covid19.ca.gov/>) and the Los Angeles County Department of Public Health (<http://publichealth.lacounty.gov/>). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.*

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or ADA within the District and, notwithstanding available state or federal assistance, materially adversely impact the financial condition or operations of the District. See also "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State 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 all school districts whose budget may be disapproved.

A school district whose budget has been disapproved 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 school district budgets and not later than November 8, must 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 all school districts whose budget has been disapproved. Until a school district's budget is approved, the school 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 Reports. 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 the 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 the 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 the two subsequent fiscal years.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent, may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the Superintendent of Public Instruction and the president of the State board or the president's designee will appoint a trustee at the direction of the county superintendent to serve the school district until it has adequate fiscal systems and controls in place. In connection with appointing such a trustee, some or all of the legislative powers of the governing board of such a school district can be suspended until the district achieves fiscal stability.

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.

General Fund Budgeting Trends. The table on the following page summarizes the District's adopted general fund budgets for fiscal years 2018-19 through 2022-23, audited actual results for fiscal years 2018-19 through 2021-22, and projected totals for fiscal year 2022-23.

GENERAL FUND BUDGETING⁽¹⁾
Fiscal Years 2018-19 through 2022-23
El Segundo Unified School District

	Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22		Fiscal Year 2022-23	
	<u>Budgeted⁽²⁾</u>	<u>Actual⁽²⁾⁽⁴⁾</u>	<u>Budgeted⁽²⁾</u>	<u>Actual⁽²⁾</u>	<u>Budgeted⁽²⁾</u>	<u>Actual⁽²⁾</u>	<u>Budgeted⁽²⁾</u>	<u>Actual⁽²⁾</u>	<u>Budgeted⁽³⁾</u>	<u>Projected⁽³⁾</u>
REVENUES										
LCFF sources	\$29,103,660	\$29,293,208	\$29,942,636	\$30,702,961	\$28,162,830	\$30,593,666	\$32,080,972	\$31,691,791	\$34,790,948	\$35,956,984
Federal sources	812,043	1,325,603	969,750	849,914	976,016	3,030,476	952,419	2,767,268	1,008,049	3,049,583
Other state sources	3,052,552	4,650,221	3,525,783	4,472,852	3,506,359	6,002,242	4,380,492	6,538,560	4,464,119	4,647,854
Other local sources	<u>4,375,464</u>	<u>5,348,261</u>	<u>4,533,323</u>	<u>5,442,933</u>	<u>4,719,574</u>	<u>3,789,767</u>	<u>4,494,772</u>	<u>5,583,595</u>	<u>4,629,514</u>	<u>4,629,747</u>
Total Revenues	37,343,719	40,617,293	38,971,492	41,468,660	37,364,779	43,416,151	41,908,655	46,581,214	44,892,630	48,284,168
EXPENDITURES										
Certificated salaries	17,210,879	17,531,786	17,911,304	17,426,386	16,488,995	18,022,956	18,484,443	19,334,460	20,271,447	20,687,813
Classified salaries	6,202,719	6,116,345	6,527,959	6,115,604	6,369,890	5,426,131	6,996,279	6,781,801	7,570,933	7,588,510
Employee benefits	7,494,415	8,802,888	9,705,382	9,349,947	8,994,489	9,056,347	10,432,693	11,157,761	11,687,195	11,749,475
Books and supplies	1,155,522	1,601,268	1,635,106	1,350,520	1,431,726	2,956,702	1,388,756	1,625,152	1,445,241	2,175,011
Services and operating expenditures	4,437,277	4,896,638	4,954,459	4,438,897	4,680,369	4,311,410	4,935,861	5,808,286	5,218,367	5,874,667
Capital outlay	95,000	152,493	--	234,903	40,000	196,348	40,000	441,317	40,000	1,426,844
Other outgo excluding transfers of indirect costs	<u>610,139</u>	<u>208,684</u>	<u>425,535</u>	<u>287,570</u>	<u>335,535</u>	<u>176,342</u>	<u>425,535</u>	<u>402,097</u>	<u>425,535</u>	<u>425,535</u>
Total Expenditures	37,205,951	39,310,102	41,159,745	39,203,827	38,341,004	40,146,236	42,703,567	45,550,874	46,658,718	49,927,855
Excess (Deficiency) of Revenues Over Expenditures	137,768	1,307,191	(2,188,253)	2,264,833	(976,225)	3,269,915	(794,912)	1,030,340	(1,766,088)	(1,643,687)
Other Financing Sources (Uses)										
Transfers out ⁽⁵⁾	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(374,482)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(600,000)</u>
Net Financing Sources (Uses)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(374,482)	(150,000)	(150,000)	(150,000)	(600,000)
NET CHANGE IN FUND BALANCES	(12,232)	1,157,191	(2,338,253)	2,114,833	(1,126,225)	2,895,433	(944,912)	880,340	(1,916,088)	(2,243,687)
Fund Balance, Beginning⁽⁶⁾	<u>10,742,862</u>	<u>10,742,862</u>	<u>11,900,054</u>	<u>11,900,054</u>	<u>14,014,887</u>	<u>14,014,887</u>	<u>16,910,320</u>	<u>16,910,320</u>	<u>17,790,660</u>	<u>17,790,660</u>
Fund Balance, Ending	<u>\$10,730,630</u>	<u>\$11,900,053</u>	<u>\$9,561,801</u>	<u>\$14,014,887</u>	<u>\$12,888,662</u>	<u>\$16,910,320</u>	<u>\$15,965,408</u>	<u>\$17,790,660</u>	<u>\$15,874,572</u>	<u>\$15,546,973</u>

(1) Reflects restricted and unrestricted general fund.

(2) From the District's comprehensive audited financial statements for fiscal years 2018-19 through 2021-22.

(3) From the District's Fiscal Year 2022-23 Second Interim Financial Report, approved by the Board on March 14, 2023.

(4) For fiscal year 2018-19, Total Revenues and Net Change in Fund Balances differ from those shown in "— Comparative Financial Statements" herein because (i) \$150,000 presented as transfers out under "Other Financing Sources (Uses)" in this schedule have been reclassified as an LCFF transfer for committed revenue to the District's Deferred Maintenance Fund, and (ii) on behalf payments of \$1,535,364 are not included in the actual revenues and expenditures in this schedule, as they relate to the portion of on-behalf payments not recorded by the District related to Senate Bill 90.

(5) Reflects transfers out to the District's Deferred Maintenance Fund.

(6) Budgeted figures revised to reflect actual beginning fund balance in fiscal years 2018-19 and 2019-20.

Source: El Segundo Unified 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, 2022 and prior fiscal years are on file with the District and available for public inspection at the El Segundo Unified School District, 641 Sheldon Street, El Segundo, California 90245, telephone: (310) 615-2650. The District's audited financial statements for the year ended June 30, 2022 are attached hereto as APPENDIX B. The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2017-18 through 2021-22.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES⁽¹⁾
Fiscal Years 2017-18 through 2021-22
El Segundo Unified School District

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
REVENUES:					
LCFF Sources	\$27,217,028	\$29,163,120	\$30,702,961	\$30,593,666	\$31,691,791
Federal sources	757,089	1,325,603	849,914	3,030,476	2,767,268
Other state sources	4,738,836	6,185,585	4,472,852	6,002,242	6,538,560
Other local sources	<u>5,430,351</u>	<u>5,348,262</u>	<u>5,442,933</u>	<u>3,789,767</u>	<u>5,583,595</u>
Total Revenues	38,143,304	42,022,570	41,468,660	43,416,151	46,581,214
EXPENDITURES:					
Current					
Instruction	23,165,621	26,078,462	24,295,889	25,699,237	28,018,131
Instruction-related activities:					
Instructional supervision and administration	549,326	571,189	552,818	565,408	628,352
Instructional library, media and technology	167,330	180,431	178,894	181,060	187,666
School site administration	2,406,130	2,557,758	2,502,628	2,235,078	2,589,910
Pupil services:					
Home-to-school transportation	113,464	146,365	72,151	5,621	71,342
Food services	--	15,805	--	--	--
All other pupil services	2,050,706	2,407,269	2,417,855	2,411,195	2,717,813
General Administration:					
Centralized data processing	1,039,430	777,618	798,559	1,110,399	1,390,438
All other general administration	2,333,875	2,536,784	2,533,230	2,550,540	2,948,223
Plant services	3,462,981	3,608,658	3,740,494	4,295,980	4,245,152
Facilities acquisition and maintenance	497,246	115,219	163,737	57,300	396,526
Ancillary services	64,966	67,813	48,299	7,542	76,149
Community services	812,426	902,258	917,446	685,115	1,114,697
Enterprise services	636,128	671,153	694,257	165,419	764,378
Transfers to other agencies	<u>325,208</u>	<u>208,684</u>	<u>287,570</u>	<u>176,342</u>	<u>402,097</u>
Total Expenditures	37,624,837	40,845,466	39,203,827	40,146,236	45,550,874
Excess (Deficiency) of Revenues Over Expenditures	518,467	1,177,104	2,264,833	3,269,915	1,030,340
Other Financing Sources (Uses)					
Transfers Out	--	--	<u>(150,000)</u>	<u>(374,482)</u>	<u>(150,000)</u>
Total Other Financing Sources and Uses	--	--	(150,000)	(374,482)	(150,000)
NET CHANGE IN FUND BALANCES	518,467	1,177,104	2,114,833	2,895,433	880,340
Fund Balance – Beginning	<u>10,204,483</u>	<u>10,722,950</u>	<u>11,900,054</u>	<u>14,014,887</u>	<u>16,910,320</u>
Fund Balance – Ending	<u>\$10,722,950</u>	<u>\$11,900,054</u>	<u>\$14,014,887</u>	<u>\$16,910,320</u>	<u>\$17,790,660</u>

⁽¹⁾ From the District's comprehensive audited financial statements for fiscal years 2017-18 through 2021-22, respectively. Includes restricted and unrestricted general fund.

Source: El Segundo Unified School District.

State Budget Measures

The following information concerning the State's budgets 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 herein 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.

2022-23 State Budget. On June 30, 2022, the Governor signed the State budget for fiscal year 2022-23 (the "2022-23 Budget"). The following information is drawn from the Department of Finance (the "DOF") and LAO summaries of the 2022-23 Budget.

For fiscal year 2021-22, the 2022-23 Budget projected total general fund revenues and transfers of \$277.1 billion and authorizes expenditures of \$242.9 billion. The State was projected to end the 2021-22 fiscal year with total reserves of \$46.7 billion, including \$18.2 billion in the traditional general fund reserve, \$20.3 billion in the BSA, \$7.3 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2022-23, the 2022-23 Budget projected total general fund revenues and transfers of \$219.7 billion and authorized expenditures of \$234.4 billion. The State was projected to end the 2022-23 fiscal year with total reserves of \$37.2 billion, including \$3.5 billion in the traditional general fund reserve, \$23.3 billion in the BSA, \$9.5 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. The 2022-23 Budget included deposits to the PSSSA of \$3.1 billion, \$4 billion and \$2.2 billion attributable to fiscal years 2020-21 through 2022-23, respectively. The balance of \$7.1 billion in the PSSSA in fiscal year 2021-22 triggered school district reserve caps beginning in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The 2022-23 Budget set total funding for all K-12 education programs at \$128.6 billion, including \$78.6 billion from the State general fund. This resulted in per-pupil funding of \$22,893, including \$16,993 from Proposition 98 sources. The minimum funding guarantee in fiscal year 2022-23 was set at \$110.4 billion. The 2022-23 Budget also made retroactive increases to the minimum funding guarantee in fiscal years 2020-21 and 2021-22, setting them at \$96.1 billion and \$110.2 billion, respectively. Collectively, this represented a three-year increase in the minimum funding guarantee of \$35.8 billion over the level projected by the State budget for fiscal year 2021-22 (the "2021-22 Budget"). Test 1 was projected to be in effect over this three-year period..

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

- **Local Control Funding Formula:** The 2022-23 Budget funded a COLA of 6.56% to LCFF apportionments, the largest COLA in the history of the LCFF. To assist school district and charter schools address ongoing fiscal pressures, staff shortages and other operational needs, the 2022-23 Budget included \$4.32 billion in ongoing Proposition 98 funding to increase LCFF base funding by an additional 6.28%. With respect to county offices of education, the 2022-23 Budget included \$101.2 million in ongoing, augmented LCFF funding. To support the fiscal stability of all local educational agencies, including those with declining student populations, the 2022-23 Budget amended the LCFF calculation to consider the greater of a school district's current year, prior year or average of three prior years' ADA. Finally, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 Budget enabled all classroom-based local educational agencies that could demonstrate they provided independent study offerings to students in

fiscal year 2021-22 to be funded at the greater of their current year ADA or their current year enrollment, adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year. The 2022-23 Budget also allowed classroom-based charter schools to be similarly funded. The 2022-23 Budget reflected \$2.8 billion in ongoing Proposition 98 funding and \$413 million in one-time Proposition 98 funding to implement these stabilization policies.

- *Learning Recovery:* The 2022-23 Budget established the Learning Recovery Emergency Fund and appropriated \$7.9 billion in one-time Proposition 98 funding to establish a block grant to support local educational agencies in establishing learning recovery initiatives.
- *Discretionary Block Grant:* \$3.6 billion in one-time, discretionary Proposition 98 funding to school districts, county offices of education, charter schools and State special schools to be spent on a variety of purposes, including arts and music programs, professional development, instructional materials, operational costs and expenses related to the COVID-19 pandemic.
- *Student Supports:* The 2021-22 Budget provided \$3 billion, available over several years, to expand and strengthen the implementation and use of community school models in communities with high levels of poverty. Community schools typically integrate health, mental health and other services for students and families and provide these services directly on school campuses. The 2022-23 Budget included an additional \$1.1 billion in one-time Proposition 98 funding to expand access to community schools.
- *Educator Workforce:* The 2021-22 Budget provided \$2.9 billion to support a variety of initiatives intended to further expand the State's educator preparation and training infrastructure, including meeting the needs of early childhood educators. To further support this effort, the 2022-23 Budget provided \$48.1 million in one-time funding to waive certain teacher examination fees, \$20 million in one-time funding to develop and implement integrated teacher preparation programs, \$2.7 million to fund State operational support for teacher credentialing, and \$1.4 million to establish career counselors for prospective educators.
- *Educator Preparation, Retention and Training:* The 2022-23 Budget funded a variety of additional educator workforce initiatives, including (i) \$250 million in one-time Proposition 98 funding to expand residency slots for teachers and school counselors, (ii) \$85 million in one-time Proposition 98 funding to create Pre-Kindergarten through 12th grade educator resources and professional learning in science technology, engineering and math, and (iii) \$35 million in one-time Proposition 98 funding, available over three years, for educator training in computer science, special education and support for English-learners.
- *Universal Transitional Kindergarten:* \$614 million in ongoing Proposition 98 funding to expand eligibility for transitional kindergarten to include all children turning five years old between September 2 and February 2, beginning in the 2022-23 fiscal year. To accommodate expected enrollment increases related to the expansion of transitional kindergarten, the 2022-23 Budget re-benched the Test 1 percentage of State revenues allocated to education. Additionally, the 2022-23 Budget included \$383 million in Proposition 98 funding to add one additional certificated or classified employee to every transitional kindergarten class, which was expected to reduce student-to-adult ratios to more closely align with the State's preschool program. Finally, the 2022-23 Budget provided \$100 million of one-time funding in 2022-23, and \$550 million of funding in 2023-24, to support the construction or retrofit of school facilities for the purpose of providing classrooms for transitional kindergarten, full-day kindergarten or preschool.

- *Expanded Learning Time:* \$3 billion of Proposition 98 funding as part of a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and foster youth. Pursuant to this plan, all local educational agencies will receive funding for expanded learning opportunities based on their numbers of such students. Beginning in fiscal year 2023-24, local educational agencies will be required to offer expanded learning opportunities to all low-income students, English language learners and foster youth. Local educational agencies with the highest concentrations of these students will be required to offer expanded learning opportunities to all students. The 2022-23 Budget assumed full implementation of this program by fiscal year 2025-26.
- *Literacy:* \$250 million in one-time Proposition 98 funding, available over five years, for grants to high-needs schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction and offer one-on-one and small group intervention for struggling readers.
- *Community Engagement:* \$100 million in one-time Proposition 98 funding to expand the reach of an initiative included in prior budgetary legislation which builds the capacity of local educational agencies to engage more effectively with their communities.
- *Special Education:* \$500 million in ongoing Proposition 98 funding to increase in the State-wide base funding rate for special education funding.
- *College and Career Pathways:* \$500 million in one-time Proposition 98 funding, over seven years, to support the development of college and career pathways program focused on technology (including computer science, green technology and engineering), health care, education and climate-related fields. Additionally, the 2022-23 Budget includes \$200 million in one-time Proposition 98 funding, available over four years, to strengthen and expand student access and participation in dual enrollment opportunities.
- *Home-to-School Transportation:* \$637 million in ongoing Proposition 98 funding to reimburse local educational agencies for up to 60% of their prior year transportation costs. In addition, commencing in fiscal 2023-24, the 2022-23 Budget reflected the application of an ongoing COLA to the current LCFE Home-to-School Transportation add-on. Finally, the 2022-23 Budget provided \$1.5 billion in one-time Proposition 98 funding, available over five years, to support the greening of school buses as part of a Statewide zero-emissions initiative.
- *Nutrition:* \$596 million in Proposition 98 funding to create universal access to subsidized school meals. The 2022-23 Budget provided an additional \$611.8 million in ongoing Proposition 98 funding to augment State meal program reimbursements rates beginning in fiscal year 2022-23, in order to allow local educational agencies to continue offering higher-quality and more diverse meals for students. Additionally, the 2022-23 Budget included \$600 million in one-time Proposition 98 funding, available over three years, to upgrade school kitchen infrastructure and equipment, provide food service employee training and incorporate fresh, minimally-processed, California-grown foods in school meals. The 2022-23 Budget also provided an additional \$100 million in one-time Proposition 98 funding to support local educational agency procurement practices for plant-based or restricted diet meals, as well as to procure California-grown or California-produced, sustainably grown and whole or minimally processed foods. Finally, the 2022-23 Budget included an additional \$30 million in one-time Proposition 98 funding for the California Farm to School Program, which

connects local producers and school food buyers, increases food education opportunities and engages schools and students with the agricultural community.

- *Facilities:* \$1.4 billion in State general obligation bond funding to support school construction projects. This represented the final installment available to K-12 school districts under Proposition 51. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 51” herein. The 2022-23 Budget also provided \$1.3 billion in one-time funding in fiscal year 2022-23, \$2.1 billion of such funds in 2023-24 and \$875 million of such funds in fiscal year 2024-25, to support new construction and modernization projects through the State’s school facility program. Finally, the 2022-23 Budget included \$30 million in ongoing Proposition 98 funding to support eligible facilities costs for the Charter School Facility Grant Program.
- *Classified Staff:* An increase of \$35 million in one-time Proposition 98 funding, and \$90 million in ongoing Proposition 98 funding, for the Classified School Employee Summer Assistance Program, which provides supplemental pay for classified staff during the intersessional months when they are not employed.

For additional information regarding the 2022-23 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by any reference.

Proposed 2023-24 State Budget. On January 10, 2023, the Governor released his proposed State budget for fiscal year 2023-24 (the “Proposed 2023-24 Budget”). The following information is drawn from the DOF and LAO summaries of the Proposed 2023-24 Budget.

The Proposed 2023-24 Budget reports that due to several factors, including continued high inflation, multiple federal reserve bank interest rate increases, and stock market declines, the revenue outlook is substantially different from the previous two years. The Proposed 2023-24 Budget forecasts that State general fund revenues will be \$29.5 billion lower than the level projected by the 2022-23 Budget, and the State faces an estimated budget gap of approximately \$22.5 billion in fiscal year 2023-24. The LAO estimates a slightly lower budget gap of \$18 billion, and results from a difference in what the Governor and the LAO treat as spending that was approved by prior budgets.

To close the budget gap, the Proposed 2023-24 Budget includes a series of measures intended to avoid deep reductions to priority programs that marked budgetary shortfalls over the past two decades, as well as avoid draws on State reserves:

- *Funding Delays - \$7.4 billion:* Delayed funding for multiple items across fiscal years 2021-22 through 2023-24. The majority of these funding delays are in higher education, healthcare and broadband access. The LAO notes that these funding delays will result in net cost increases in fiscal years 2024-25 and 2025-26.
- *Reductions/Pullbacks - \$5.7 billion:* Reductions in spending for various items across fiscal years 2021-22 through 2023-24, and a pull back of certain items that were included in the 2022-23 Budget. Significant items in this category include a \$3 billion inflationary adjustment included in the prior budget, and a \$750 million principal payment to the State’s unemployment insurance loan.
- *Cost Shifts - \$4.3 billion:* Shifts in certain expenditures in fiscal years 2022-23 and 2023-24 from the State general fund to other sources.

- *Trigger Reductions - \$3.9 billion:* Reductions to funding for certain items in fiscal years 2020-21 through 2023-24. These reductions would be placed in a “trigger” that would restore funding if sufficient revenues are available. The reductions are to baseline adjustments, enrollments, caseloads and population adjustments, primarily in the areas of natural resources and the environment, transportation, housing and homelessness, State parks and workforce training.
- *Limited Revenue Generation and Borrowing - \$1.2 billion:* Augmentation to State general fund sources and limited borrowing, the majority of which would be derived from loans from special funds and a renewal of a tax on managed care organizations.

The Proposed 2023-24 Budget also includes estimates of multiyear revenues and spending. Under these projections and the current budget proposals, the State is projected to face operating deficits of \$9 billion in fiscal year 2024-25, \$9 billion in fiscal year 2025-26 and \$4 billion in fiscal year 2026-27.

For fiscal year 2022-23, the Proposed 2023-24 Budget projects total general fund revenues and transfers of \$208.9 billion and authorizes expenditures of \$240.1 billion. The State is projected to end the 2022-23 fiscal year with total reserves of \$47.7 billion, including \$17.2 billion in the traditional general fund reserve, \$21.5 billion in the BSA, \$8.1 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2023-24, the Proposed 2023-24 Budget projects total general fund revenues and transfers of \$210.2 billion and authorizes expenditures of \$223.6 billion. The State is projected to end the 2023-24 fiscal year with total reserves of \$35.6 billion, including \$3.8 billion in the traditional general fund reserve, \$22.4 billion in the BSA, \$8.5 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund.

The ending balance in the BSA is at the constitutional maximum amount, resulting in \$951 million that is required to be dedicated to infrastructure improvements in fiscal year 2023-24. The Proposed 2023-24 Budget also includes revised deposits to the PSSSA of \$3.7 billion and \$1.1 billion attributable to fiscal years 2021-22 and 2022-23, respectively, and authorizes a deposit in fiscal year 2023-24 of \$365 million. The balance of \$8.5 billion in the PSSSA in fiscal year 2022-23 would trigger school district reserve caps in fiscal year 2023-24. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

The Proposed 2023-24 Budget sets total funding for all K-12 education programs at \$128.5 billion, including \$78.7 billion from the State general fund and \$49.8 billion from other sources. This results in per-pupil funding of \$23,723, including \$17,519 from Proposition 98 sources. The minimum funding guarantee in fiscal year 2023-24 is set at \$108.8 billion, reflecting a decrease of approximately \$1.5 billion from the prior year. The Proposed 2023-24 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2021-22 and 2022-23, setting them at \$110.4 billion and \$106.9 billion, respectively. Collectively, this represents a three-year decrease in the minimum funding guarantee of \$4.7 billion over the level projected by the 2022-23 Budget. Test 1 is projected to be in effect over this three-year period.

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

- *Local Control Funding Formula:* The Proposed 2023-24 Budget funds a COLA of 8.13% to LCFF apportionments. When combined with growth adjustments, this increase will result in \$4.2 billion in additional discretionary funds for local educational agencies. To fund the increase and maintain the current-year level of LCFF apportionments, the Proposed 2023-24 Budget provides approximately \$613 million in one-time resources to support the ongoing

cost of the LCFF in fiscal year 2022-23, and \$1.4 billion of such resources to support the ongoing cost of the LCFF in fiscal year 2023-24. The Proposed 2023-24 Budget also provides an increase of \$51.7 million in ongoing Proposition 98 funding to support an 8.13% COLA for county offices of education, and an increase of \$669 million of such funding to support a similar COLA for categorical programs that remain outside the LCFF. Finally, to accelerate learning gains and close opportunity gaps, the Proposed 2023-24 Budget provides \$300 million in ongoing Proposition 98 funding to establish an equity multiplier as an add-on to the LCFF. These funds will be allocated to local educational agencies based on school-site eligibility, and the funds are intended to augment resources that support the highest-needs schools in the State.

- *Universal Transitional Kindergarten:* \$690 million in ongoing Proposition 98 funding to continue the implementation of transitional kindergarten, expanding eligibility to include all children turning five years old between September 2 and April 2, beginning in the 2023-24 fiscal year. To accommodate expected enrollment increases related to this expansion, the Proposed 2023-24 Budget will rebench the Test 1 percentage of State revenues allocated to education. Additionally, the Proposed 2023-24 Budget includes \$165 million to add one additional certificated or classified employee to every transitional kindergarten class. The Proposed 2023-24 Budget also delays, to fiscal year 2024-25, \$550 million of funding previously approved to support the construction or retrofit of full-day kindergarten and preschool facilities.
- *Literacy:* \$250 million in additional one-time Proposition 98 funding for grants to high-needs schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction and offer one-on-one and small group intervention for struggling readers.
- *Arts and Cultural Enrichment:* On November 8, 2022, State voters approved Proposition 28, which requires that an amount equal to 1% of the prior year's minimum funding guarantee be allocated to schools to increase arts instruction and arts programs in public education. The Proposed 2023-24 Budget includes \$941 million to fund this mandate. Given the need to cover the costs of the LCFF in fiscal years 2022-23 and 2023-24, the Proposed 2023-24 Budget reflects a reduction of approximately \$1.2 billion in Proposition 98 funding previously approved for the Arts, Music and Instructional Materials Block Grant. The Proposed 2023-24 Budget also provides \$100 million in one-time Proposition 98 funding to enable local educational agencies to provide high school seniors with access to cultural enrichment experiences.
- *Facilities:* The Proposed 2023-24 Budget reflects a decrease of \$100 million in State general fund support for the State school facilities program. The Proposed 2023-24 Budget also includes \$30 million in ongoing Proposition 98 funding to support eligible facilities costs for the Charter School Facility Grant Program, and would set aside \$15 million of previously appropriated funding to support school kitchen infrastructure improvements.

For additional information regarding the Proposed 2023-24 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by any reference.

May Revision. On May 12, 2023, the Governor released his May revision to the Proposed 2023-24 Budget (the "May Revision"). The following information is drawn from the DOF and LAO summaries of and reports on the May Revision.

The May Revision reports that monthly revenue shortfalls have continued, resulting in revenues being \$9.3 billion lower than the amount projected by the Proposed 2023-24 Budget. The May Revision now estimates that the State faces a budget gap of approximately \$31.5 billion in fiscal year 2023-24. While the May Revision does not project a recession, it recognizes that increased risks to the State budget remain that could significantly change the State's near-term fiscal trajectory, including economic fallout from a federal debt limit impasse, higher interest rates, uncertainty in financial institutions and delayed tax receipts resulting from extensions granted by the federal government and the State. Should the risks be realized and a modest recession occur, revenue declines below the May Revision forecast could be significant.

In its summary of the Proposed Budget, the LAO notes that their estimate of the budget gap is \$28.3 billion, slightly lower than the May Revision. Generally, this results from a difference in what the Governor and the LAO treat as spending that was approved by prior budgets.

The May Revision provides additional revenue measures and spending reductions to close the projected budget gap with the intention of avoiding significant impacts to existing programs and draws on the major State reserves (i.e. traditional general fund reserve, BSA and PSSSA):

- *Funding Delays* – An additional \$695 million in funding delays across fiscal years 2021-22 through 2023-24. This brings total funding delays to \$8.1 billion.
- *Reductions/Pullbacks* – An additional \$1.1 billion in spending reductions and pullbacks across fiscal years 2021-22 through 2023-24. Combined with the reductions provided by the Proposed 2023-24 Budget, and accounting for a \$57 million adjustment, total reductions would be \$6.7 billion. Generally, the reductions in the May Revision reflect reversions of unused funds rather than cuts to programs.
- *Cost Shifts* – An additional \$3.3 billion in shifts of certain spending commitments from the State general fund to other sources. After accounting for \$90 million adjustment, this brings the total amount of shifts to \$7.5 billion.
- *Revenue Generation and Borrowing* – \$3.7 billion in additional revenue measures and borrowing, for a total of \$4.9 billion, consisting primarily of an additional \$2.5 billion from the Managed Care Organization tax and \$1.2 billion in additional borrowing from special funds.
- *Trigger Reductions*: Although the May Revision does not propose any additional trigger reductions, it retains the \$3.7 million of such reductions provided in the Proposed 2023-24 Budget.
- *Safety Net Reserve Withdrawal* – The May Revision includes a withdrawal of \$450 million from the Safety Net Reserve, leaving a balance of \$450 million.

For fiscal year 2022-23, the May Revision projects total general fund revenues and transfers of \$205.1 billion and authorizes expenditures of \$236.5 billion. The State is projected to end the 2022-23 fiscal year with total reserves of \$51.9 billion, including \$18.8 billion in the traditional general fund reserve, \$22.3 billion in the BSA, \$9.9 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2023-24, the May Revision projects total general fund revenues and transfers of \$209.1 billion and authorizes expenditures of \$224.1 billion. The State is projected to end the 2023-24 fiscal year with total reserves of \$37.3 billion, including \$3.8 billion in the traditional general fund

reserve, \$22.3 billion in the BSA, \$10.7 billion in the PSSSA and \$450 million in the Safety Net Reserve Fund.

The projected ending balance in the BSA continues to be at the constitutional maximum amount, resulting in \$2.3 billion that is required to be dedicated to infrastructure improvements in fiscal year 2023-24. The balance of \$9.9 billion in the PSSSA in fiscal year 2022-23 would trigger school district reserve caps in fiscal year 2023-24. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

Under the administration’s estimates and assumptions, the budget condition would worsen in future years. Specifically, the State is currently projected to face out-year operating deficits of approximately \$15 billion in each of 2024-25 through 2026-27. These operating deficits represent future budget problems that will need to be addressed.

The LAO indicates that across fiscal years 2021-22 through 2023-24, their revenue estimates are \$11 billion lower than those of the May Revision, and cautions against optimistic revenue assumptions. The LAO’s assessment is that there is roughly a two-thirds chance revenues will come in below the May Revision’s assessments. While the May Revision’s assumptions are plausible, the LAO concludes that adopting them would present considerable downside risk. The LAO also expressed concern that the May Revision relies on approximately \$2.8 billion of reductions to one-time spending to fund an ongoing COLA for the LCFF (as discussed below), which creates an ongoing deficit in education funding.

The May Revision sets total funding for all K-12 education programs at \$127.2 billion, including \$79.1 billion from the State general fund and \$48.1 billion from other sources. The minimum funding guarantee in fiscal year 2023-24 is set at \$106.8 billion. The May Revision also makes retroactive increases to the minimum funding guarantees in fiscal years 2021-22 and 2022-23, setting them at \$110.6 billion and \$106.8 billion, respectively. Collectively, this represents a three-year decrease in the minimum funding guarantee of \$2 billion over the level projected by the Proposed 2023-24 Budget. This decrease is primarily attributable to lower State general fund revenues, offset by somewhat higher local property tax revenue. Test 1 is projected to be in effect over this three year period.

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

- *Local Control Funding Formula:* The May Revision increases the COLA provided by the Proposed 2023-24 Budget for LCFF apportionments, from 8.13% to 8.22%. When offset by savings resulting from projected enrollment declines, this would increase year-over-year discretionary funds available to local educational agencies by approximately \$3.4 billion. The May Revision also reflects the utilization of approximately \$2.7 billion in one-time Proposition 98 funding to support the overall costs of the LCFF in fiscal year 2023-24. The May Revision also provides a decrease of approximately \$1.7 million in ongoing Proposition 98 funding for categorical programs that remain outside the LCFF. When offset by savings resulting from projected enrollment declines, this funding level will support an 8.22% COLA for such programs. Finally, the Proposed 2023-24 Budget provided \$300 million in ongoing Proposition 98 funding to establish an equity multiplier as an add-on to the LCFF to accelerate learning gains and close opportunity gaps. In connection therewith, the May Revision provides \$2 million in ongoing Proposition 98 funding to support the work of newly proposed equity leads within the Statewide system of support.
- *Adjustment of One-Time Resources:* Since available Proposition 98 resources have declined by approximately \$2 billion since the Proposed 2023-24 Budget, the May Revision would decrease funding for the Arts, Music and Instructional Materials Block Grant by

approximately \$607 million and for the Learning Recovery Emergency Block Grant by approximately \$2.5 billion.

- *County Offices of Education:* An increase of \$80 million in ongoing Proposition 98 funding to support county offices of education serving students in juvenile court and other alternative settings. Additionally, the May Revision includes a 50% increase to the base grant allocation that county offices of education receive to support technical assistance to underperforming local educational agencies.
- *Universal Transitional Kindergarten:* Due to projected enrollment declines, the May Revision makes adjustments to funding included in the Proposed 2023-24 Budget to support the implementation of universal transitional kindergarten. Specifically (i) the first-year costs to expand access are reduced from \$604 million to approximately \$357 million, (ii) the first-year costs to add one additional certificated or classified staff member are reduced from \$337 million to approximately \$283 million, and (iii) the second-year costs to expand access are reduced from \$690 million to approximately \$597 million.
- *Literacy:* \$1 million in one-time Proposition 98 funding to support the development of screening instruments to assess student reading difficulties, such as dyslexia.
- *Student Nutrition:* An additional \$110 million in one-time Proposition 98 funding, and \$191 million in additional ongoing Proposition 98 funding, to fully fund the Universal School Meals program in fiscal years 2022-23 and 2023-24.
- *Arts and Cultural Enrichment:* A decrease of approximately \$8 million, for total funding of approximately \$933 million, to support the implementation of Proposition 28, which requires that an amount equal to 1% of the prior year's minimum funding guarantee be allocated to schools to increase arts instruction and arts programs in public education.
- *Educator Preparation, Retention and Training:* An increase of \$20 million in one-time Proposition 98 funding, to be available through fiscal year 2028-29, to support the Bilingual Teacher Professional Development Program, and an increase of \$6 million in one-time federal funds to support grants for teacher candidates enrolled in a special education preparation program who agree to teach at high-need school sites.
- *Restorative Justice Practices:* An increase of \$7 million in one-time Proposition 98 funding to support local educational agencies opting to implement restorative justice best practices.

For additional information regarding the May Revision, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites 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. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also

result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “– Considerations Regarding COVID-19” herein. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation of the County to levy *ad valorem* property taxes upon all taxable property within the District for the payment of the principal of or interest on the Bonds would not be impaired.

EL SEGUNDO UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District’s finances are 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 and interest on the Bonds are payable from the general fund of the District. The Bonds are payable solely from the revenues generated by an ad valorem property tax levied by the County on taxable property within the boundaries of the District for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

Introduction

The District was established as an elementary school district in 1910 and unified in 1927. The District is located in the County along the Pacific Ocean, immediately southwest of the City of Los Angeles, and encompasses approximately 3.9 square miles. The District operates two elementary schools, one middle school, one high school, and one continuation school, as well as preschool and after-school programs. For fiscal year 2022-23, the District has projected its ADA to be 3,276.06 and its enrollment to be 3,508, and taxable property within the District has a total assessed valuation of \$7,544,443,637.

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: El Segundo Unified School District, Attention: Chief Business Official, 641 Sheldon Street, El Segundo, California 90245.

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 below:

**BOARD OF EDUCATION
El Segundo Unified School District**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dieema A. Wheaton	President	December 2024
Meredith J. Beachly	Vice President	December 2026
Frank C. Glynn	Clerk	December 2026
Tracey I. Miller-Zarneke	Member	December 2026
Michael D. Wagner	Member	December 2024

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Melissa Moore, Ed.D. is the Superintendent of the District. Brief biographies of the Superintendent and the Chief Business Official of the District follow.

Melissa Moore, Ed.D., Superintendent. Dr. Melissa Moore joined the District as Superintendent in July 2014. She previously served as the Assistant Superintendent of Human Resources for the Yucaipa-Calimesa Unified School District. She has a background in employee-employer relations, community and educational foundations and student instruction, including the International Baccalaureate (IB) World School program that was implemented at El Segundo Middle School in 2014. In 2018, Dr. Moore was selected Superintendent of the Year (Region 14) by the Association of California School Administrators (ACSA). Dr. Moore earned her Doctorate Degree in Educational Leadership from the University of Southern California, a Master’s Degree in Education with an emphasis in Reading and Language Arts from California State University, Los Angeles, and a Bachelor’s Degree in Liberal Studies from the University of Redlands.

Kimberlie Linz, Chief Business Official. Kimberlie Linz was appointed the Chief Business Official of the District in November 2018. Prior to her appointment as Chief Business Official, Ms. Linz was a Principal in the Manhattan Beach Unified School District. Her previous positions also include Assistant Principal and Math Teacher. Ms. Linz received a Certification in School Business Management from the University of Southern California, a Master’s Degree in Elementary Education and Special Education from the University of Virginia, a Bachelor’s Degree in English from the University of Wisconsin – Madison, and is currently enrolled in the Doctoral program for Educational Leadership at the University of Southern California. Ms. Linz is the Region 14 Business Services Administrator of the Year for Region 14 of the Association of California School Administrators.

District Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 12:1 in TK, 25:1 in grades K-3, 28:1 in grades 4-5, 34:1 in grades 6-8, and 34:1 in grades 9-12. The following table reflects the enrollment history of the District for the last 10 years. The District typically annually receives over 400 Interdistrict Permit Applications from families living in surrounding districts who wish to enroll their children in the District. This allows the District to manage enrollment fluctuations in resident enrollment from year to year and sustain consistent enrollment. Interdistrict transfers must be approved by both the District and the student’s district of residence.

DISTRICT ENROLLMENT
Fiscal Years 2013-14 through 2022-23
El Segundo Unified School District

<u>Fiscal Year</u>	<u>Enrollment⁽¹⁾</u>	<u>Change in Enrollment</u>
2013-14	3,431	--
2014-15	3,477	1.34%
2015-16	3,471	(0.17)
2016-17	3,469	(0.06)
2017-18	3,474	0.14
2018-19	3,453	(0.60)
2019-20	3,502	1.42
2020-21	3,448	(1.54)
2021-22	3,458	0.29
2022-23 ⁽²⁾	3,508	1.45

⁽¹⁾ Reflects CALPADS enrollment.

⁽²⁾ Projected.

Source: *El Segundo Unified School District.*

Labor Relations

As of January 31, 2023, the District employed 191 full-time equivalent (“FTE”) certificated employees, 52 FTE classified employees, and 26 management employees. District employees, except management and some part-time employees, are represented by the two bargaining units noted below:

BARGAINING UNITS El Segundo Unified School District

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
El Segundo Teachers Association	181	June 30, 2023
California School Employees Association Chapter #71	91	June 30, 2023

Source: El Segundo Unified 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 the District, the Municipal Advisor or the Underwriter.

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 in recent fiscal years. 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)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
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 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)**

<u>Effective Date</u>	<u>K-14 school districts</u>
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 is 16.92% in fiscal year 2021-22. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein. The employer contribution rate is 19.1% in fiscal year 2022-23 and will be 19.1% in fiscal year 2023-24.

The District’s contributions to STRS were \$2,394,492 in fiscal year 2017-18, \$2,840,084 in fiscal year 2018-19, \$3,059,747 in fiscal year 2019-20, \$2,910,942 in fiscal year 2020-21, and \$5,404,555 in fiscal year 2021-22. The District has projected a contribution of \$5,646,472 to STRS for fiscal year 2022-23.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2022-23. The State’s contribution to STRS for fiscal year 2023-24 will remain 8.328%. 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, 2021 included 1,608 public agencies and 1,329 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% for fiscal year 2020-21, and 22.91% for fiscal year 2021-22. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein. The employer contribution rate is 25.37% in fiscal year 2022-23 and will be 26.68% in fiscal year 2023-24. Classic Members contribute at a rate established by statute, which is 7% in fiscal year 2022-23 and will be 7% in fiscal year 2023-24, while PEPRA Members contribute at an actuarially determined rate, which is 8% in fiscal year 2022-23. Due primarily to the change in the discount rate, the total normal cost of PEPRA Members changed by more than 1% of payroll relative to fiscal year 2021-22, which required the PEPRA Member contribution rate to be adjusted to equal 50% of the total normal cost of 15.91% in fiscal year 2022-23. For the Schools Pool Actuarial Valuation as of June 30, 2022 (the “2022 PERS Actuarial Valuation”), expected to be released in the latter half of 2023, 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 2023-24. See “—California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contributions to PERS were \$735,341 in fiscal year 2017-18, \$866,490 in fiscal year 2018-19, \$951,222 in fiscal year 2019-20, \$939,020 in fiscal year 2020-21, and \$1,213,830 in fiscal year 2021-22. The District has projected a contribution of \$1,481,848 to PERS for fiscal year 2022-23.

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 table on the following page 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.

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FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2021-22

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
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

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾
2017-18	92,071	64,846	27,225	-- ⁽⁴⁾	-- ⁽⁴⁾
2018-19 ⁽⁵⁾	99,528	68,177	31,351	-- ⁽⁴⁾	-- ⁽⁴⁾
2019-20 ⁽⁶⁾	104,062	71,400	32,662	-- ⁽⁴⁾	-- ⁽⁴⁾
2020-21	110,507	86,519	23,988	-- ⁽⁴⁾	-- ⁽⁴⁾
2021-22 ⁽⁷⁾	116,982	79,386	37,596	-- ⁽⁴⁾	-- ⁽⁴⁾

(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 determined 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 17, 2023, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2023-24 and released certain actuarial information to be incorporated into the 2022 PERS Actuarial Valuation to be released in the latter half of 2023.

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, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both Classic Members and PEPRAs Members to better reflect the anticipated impact of years of service on retirements. The 2021 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, 2022 (the “2022 STRS Actuarial Valuation”) reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately \$1.17 billion since the 2021 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 74.4% over such time period, despite a negative investment return in 2021-22. The main reason for the increase in the funded ratio was the recognition of the deferred investment gains from prior years, primarily an investment gain of 27.2% in 2020-21, which has been partially offset by the impact of the less-than-assumed investment return for the most recently completed fiscal year (2021-22). For actuarial purposes, the STRS Board has approved the use of an actuarial value of assets, which smooths the volatility of investment returns by reflecting only one-third of the net accumulated investment gains or losses in a year. The investment gains that were set aside in the 2021 STRS Actuarial Valuation were more than sufficient to cover the full impact of the negative investment return in 2021-22. Another reason for the improved funding levels and decrease in unfunded actuarial obligation were the additional supplemental payments made by the State in 2021-22 (\$584 million in 2021-22 above what was required by the contribution rate adopted by the STRS Board). Using the Fair Market Value of Assets, the funded ratio has decreased by 6.7% since 2021 Actuarial Valuation from 81.9% to 75.2%, primarily due to the actual market returns for the 2021-22 fiscal year being less than the assumed investment return of 7%. 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 a decrease in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from \$469 million as of June 30, 2021 to \$359 million as of June 30, 2022.

According to the 2022 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, 2046 of 100.3%. 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.

In its Annual Comprehensive Financial Report for fiscal year ending June 30, 2022, STRS reported a money weighted net return on investment of negative 2.4% and time-weighted net return on investments of negative 1.3% for fiscal year 2021-22, ending with the total fund value of \$301.6 billion as of June 30, 2022. When STRS released the preliminary investment return for fiscal year 2021-22 on July 29, 2022, STRS noted that it is the first negative return since 2009, reflecting the ongoing volatility in the global financial markets impacted by inflation, rising interest rates, COVID-19 and the war in Ukraine. Due in part to the 27.2% return in fiscal year 2020-21, STRS remains in position to be fully funded by 2046.

On November 2, 2022, STRS released its 2022 Review of Funding Levels and Risks (the STRS 2022 Review of Funding Levels and Risks”), which is based on the 2021 STRS Actuarial Valuation and reflects all relevant changes that have occurred since 2021 STRS Actuarial Valuation, including the negative 2.4% money-weighted investment loss reported for the 2021-22 fiscal year. The key results and findings noted in the STRS 2022 Review of Funding Levels and Risks were that (i) the State’s share of the STRS unfunded actuarial obligation is still projected to be eliminated prior to 2046 (currently projected to be eliminated by fiscal year 2029-30), but not as early as projected in the June 30, 2021 valuation, (ii) the current contribution rates for the State and employers are projected to be sufficient 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 2023-24, (iii) the largest risk facing STRS’ ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system’s sensitivity to investment experience, and the State’s share of the unfunded actuarial obligation could quickly increase if STRS were to experience another year in which the investment return is significantly below the assumed rate of return, (iv) anticipated continued decreases in enrollment in K-12 public schools could lead to future declines in the size of the active membership, resulting in lower than anticipated payroll growth, which could negatively impact STRS’ ability to achieve full funding, requiring contribution rate increases, especially among employers, (v) a recession resulting in a period of low investment returns and a decline in the size of the active membership could hurt STRS ability to reach full funding, and (vi) the ability of the funding plan to allow STRS to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term, while uncertainty around inflation, investment markets and payroll growth could put pressure on STRS’ ability to meet some of its long-term actuarial assumptions. In addition, with respect to investment related risks, the STRS 2022 Review of Funding Levels and Risks notes that once the State’s supplemental contribution rate is reduced to zero (as discussed above), if it were ever needed to be increased again, the STRS Board will be limited to increases of only 0.5% of payroll each year, which could take the STRS Board years before it is able to increase the rate to the levels necessary to reduce any newly realized unfunded actuarial obligation.

Between 2019 and 2020, the number of teachers actively working dropped from 451,000, to about 448,000. Between 2020 and 2021, the number of active teachers continued to drop to about 429,000, which resulted in a payroll that remained flat, below the 3.5% annual payroll growth assumption. In 2022, the total number of active members was back to the levels last seen prior to the start of the COVID-19 pandemic, increasing by approximately 20,000 over the last fiscal year. The total payroll increased by more than 6% over the last fiscal year, resulting in STRS collecting more contributions from employers than expected. The STRS 2022 Review of Funding Levels and Risks notes that, a likely contributor to the decline in active membership in 2020-21 was the higher than expected retirements STRS experienced that fiscal year and the uncertainties related to the COVID-19 pandemic. Although an increase in retirements would normally not impact long-term funding, decisions made by employers about whether to replace the teachers who have retired can impact STRS ability to reach full

funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll. The STRS 2022 Review of Funding Levels and Risks, also notes that another area of particular concern related to payroll growth and the number of teachers in the State is the decreasing population of children enrolled in K-12 schools in the State. Total enrollment in public schools in the State dropped 271,000, or 4.4% reduction, between 2019-20 and 2021-22. Several factors contributed to the drop of enrollment during that time period, including the increase in the number of homeschool students and students enrolled in private schools during the COVID-19 pandemic. The STRS 2022 Review of Funding Levels and Risks notes that it is unclear whether the decrease in overall enrollment is permanent or simply a temporary effect of the COVID-19 pandemic. See “DISTRICT FINANCIAL MATTERS – Considerations Regarding COVID-19” herein. In September 2022, the State updated its projection of K-12 enrollment for the State, which assumes the number of children enrolled in K-12 schools will decline approximately 9% over the next 10 years.

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. 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 recently 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 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 17, 2021 (the “2021 Experience Study”), the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.30% per year, (ii) increasing the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 2.80%, (iii) increasing the payroll growth rate to 2.80%, and (iv) 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, 2021 and will first impact contribution rates for school districts in fiscal year 2022-23. Based on the timing of the study, the member data used in the analysis, which runs through June 30, 2019, does not include the impacts of COVID-19. Preliminary analysis of the system experience since the beginning of the pandemic has shown demographic experience (e.g. retirements, deaths, etc.) did differ from the current actuarial assumptions in some areas, which will be more precisely quantified in future actuarial valuations.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund’s investment portfolio for the next four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation takes effect July 1, 2022 and will impact contribution rates for employers and PEPRAs employees beginning in fiscal year 2022-23.

The Schools Pool Actuarial Valuation as of June 30, 2021 (the “2021 PERS Actuarial Valuation”), reported that from June 30, 2020 to June 30, 2021 the funded ratio of the Schools Pool increased by 9.7% (from 68.6% to 78.3%), which was primarily due to investment return in 2020-21 being greater than expected, offset partially by the reduction in discount rate from 7.00% to 6.80%. On July 12, 2021 PERS reported a preliminary 21.3% net return on investments for fiscal year 2021. Since the preliminary return sufficiently exceeded the 7.00% discount rate, the Funding Risk Mitigation Policy triggered a 0.20% reduction in the discount rate, from 7.00% to 6.8%. Pursuant to the Funding Risk Mitigation and Actuarial Amortization policies, a portion of the investment gain was used to fully offset the increase in unfunded liability resulting from the decrease in discount rate. The remaining net investment gain was amortized over 20 years with a five year ramp.

In its Basic Financial Statements for fiscal year ending June 30, 2022, PERS reported a time-weighted net return on investment of negative 6.1% and a money-weighted net return on investment of negative 7.5% for fiscal year 2021-22. When PERS released the preliminary investment returns for fiscal year 2021-22 on July 20, 2022, PERS noted that volatile global financial markets, geopolitical instability, domestic interest rate hikes, and inflation all had an impact on the investment return. The investment

return for fiscal year 2021-22 will be reflected in contribution levels for the State and employers in fiscal year 2023-24.

In November 2022, PERS released its 2022 Annual Review of Funding Levels and Risk (the “2022 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 results presented in the 2022 PERS Funding Levels and Risk Report are based on the June 30, 2021 annual valuations, which have been projected forward to June 30, 2022 based on preliminary investment performance for the year ending June 30, 2022. The unfavorable investment returns during the year ending June 30, 2022 resulted in decreases to the funded ratios for PERS plans. The funded status of the Schools Pool decreased from 78.3% as of June 30, 2021 to a projected 69% as of June 30, 2022. The 2022 PERS Funding Levels and Risk Report notes that the pandemic has potential to alter the experience of the retirement in several different areas, including investment returns, inflation, deaths, retirements, terminations, disability retirements, and pay increases. See “DISTRICT FINANCIAL MATTERS – Considerations Regarding COVID-19” herein. The 2022 PERS Funding Levels and Risk Report notes that over the next several years, inflation and near-term economic decline, also have the potential to either increase required contributions or add additional financial strain on employers and their ability to make required contributions. PERS and its members are potentially impacted by high inflation because wages generally keep pace with inflation over the long-term, many retirees are likely to receive higher cost-of-living adjustments but will likely still lose purchasing power, and increases in wages exceeding the assumed increases and higher COLAs result in higher contributions for employers. In addition, many forecasters are predicting an economic slowdown in the near future, which could lead to lower investment returns, increased investment volatility, and higher unemployment. If the system experiences lower than expected investment returns, the potential impact on required contributions, combined with the impacts of high inflation, could push contribution rates to levels that would prove challenging for some employers.

On April 17, 2023, the PERS Board established the employer contribution rates for fiscal year 2023-24 and released information from the 2022 PERS Actuarial Valuation, ahead of its release date in the latter half of 2023. From June 30, 2021 to June 30, 2022, the funded status of the Schools Pool decreased by 10.4% (from 78.3% to 67.9%) and the unfunded accrued liability increased by \$13.6 billion. This deterioration in funded status was due primarily to the lower-than-expected investment return in fiscal year 2021-22. From the Basic Financial Statements issued on November 15, 2022, PERS reported a return on investments of a negative 7.5% (before recognition of administrative expenses) for fiscal year 2021-22 compared to an expected return of 6.8%, which generated an actuarial investment loss of \$12.4 billion. This loss will be amortized over 20 years with a five-year ramp (phase-in) increasing the employer contribution rate in fiscal year 2022-23 by 1.69% of payroll. Due to the five-year ramp, this impact will increase in each year until it reaches an estimated 7.6% of payroll in fiscal year 2027-28. Non-investment experience during fiscal year 2021-22 produced an actuarial loss of \$1.6 billion, which will be amortized over 20 years. The two most significant sources of non-investment experience were salary increases for active members (averaging 8.0% for members actively employed during the entire year ending June 30, 2022) and benefit increases to annuitants, both of which generated an actuarial experience loss. Total reported payroll in fiscal year 2021-22 increased by 10.2% over the prior year, compared to 2.8% expected, which served to reduce the employer contribution rate for fiscal year 2023-24 by 1.04% of payroll. Assuming all actuarial assumptions are realized, including an assumed investment return of 6.80%, and no changes to assumptions, methods of 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 PEPPRA Members, the projected contribution rate for fiscal year 2024-25 is 27.7%, with annual increases in most years thereafter, resulting in a projected 29.8% employer contribution rate in fiscal year 2028-29. The actual investment return for fiscal year 2022-23 was not known at the time this projection was made. The projections above assume the investment return for that

year will be 6.8%. If the actual investment return differs from 6.8%, the actual contribution requirements for the projected years will differ from those shown above. During the time period between the valuation date and the release of information from the 2022 PERS Actuarial Valuation in April 2023, inflation has been significantly higher than the expected rate of 2.3% per annum. Higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation. Future contribution requirements may differ significantly. The actual long term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

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 PEPRAs 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.

The District’s proportionate share of the net STRS and PERS pension liabilities, as of June 30, 2022, were \$15,230,150 and \$6,419,849, respectively. For additional information, see “APPENDIX B – 2021-22 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10” attached hereto.

Other Postemployment Benefits

Benefit Plan. The District administers a single-employer defined benefit plan (the “Plan”) that provides medical and dental benefits (the “Benefits”) to eligible certificated retirees and dependents. The eligibility requirements and Benefits provided by the Plan are described below (some retirees receive additional Benefits under grandfathered plans):

	<u>Certificated</u>
Benefit types provided	Medical and dental
Duration of Benefits	5 years but not beyond age 65
Required Service	10 years if hired prior to July 1, 2007; 15 years if hired July 1, 2007 or later
Minimum Age	50
Dependent Coverage	Yes
District Contribution %	100%
District Cap	\$9,350 per year

There are currently 11 retirees and beneficiaries currently receiving the Benefits and 166 active Plan members who may become eligible to receive the Benefits in the future.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the District and the El Segundo Teachers Association. Expenditures for the Benefits are recognized on a pay-as-you-go basis, with additional amounts to prefund Benefits as determined annually by the Board.

For fiscal years 2017-18 through 2021-22, the District contributed \$177,792, \$181,894, \$257,796, \$275,620, and \$764,892, respectively, for such expenditures, all of which was used to pay current premiums. For fiscal year 2022-23, the District currently projects that it will contribute \$107,675 for such expenditures, all of which is expected to be used to pay current premiums.

In addition, as of January 31, 2023, the District had deposited \$2,258,500 in an internal service fund to begin funding its TOL (defined below) with respect to the Benefits. This fund, however, has not been irrevocably pledged to the payment of the Benefits, and may be accessed for other purposes upon Board agreement with the El Segundo Teachers Association. The District has projected a contribution of \$157,754 into the internal service fund in fiscal year 2022-23. The District reimburses the general fund each year from the internal service fund for its annual OPEB contributions.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 74”) and *GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”) with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, 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 74 and GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (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 (the “TOL”) 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 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 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (the “FNP”) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The FNP measures the value of trust assets, adjusted for payees and receivables.

GASB 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District’s financial statements for fiscal year 2016-17. GASB 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. For more information, see “APPENDIX B – 2021-22 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9” attached hereto.

Actuarial Study. The District has implemented GASB 74 and GASB 75, pursuant to which the District has commissioned and received several actuarial studies of its liability with respect to the Benefits. GASB 74 and GASB 75 require biennial actuarial valuations for all plans. The most recent actuarial study, dated January 16, 2023 and with a valuation date of June 30, 2022 (the “Study”), concluded that, as of a June 30, 2022 measurement date, the TOL with respect to the Plan was \$2,065,668. Because the District does not maintain a qualifying irrevocable trust, the District’s FNP was \$0, and the NOL is equal to the TOL. For more information regarding the District’s other post-employment benefit liability, see “APPENDIX B – 2021-22 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9” attached hereto.

Medicare Premium Payment Program. The District participates in the Medicare Premium Payment (“MPP”) Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS

administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). 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 Defined Benefit Program ("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 MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments 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.

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB 74 and GASB 75. At June 30, 2022, the District reported a liability of \$200,654 for its proportionate share of the net OPEB liability for the MPP Program. The TOL for the MPP Program as of June 30, 2021, was determined by applying update procedures to the actuarial valuation as of June 30, 2020 and rolling forward the TOL to June 30, 2021. The District's proportion of the NOL 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 and the State, actuarially determined.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District carries cybersecurity insurance.

Risk Management

The District is exposed to various risks of loss related to property, general liability, workers' compensation, cyber intrusions and employee benefits. These risks are mitigated through a combination of commercial insurance and participation in certain public entity risk pools, as described below.

The District currently participates in the following joint powers authorities (each, a "JPA"): (i) the Alliance of Schools for Cooperative Insurance Programs ("ASCIP") for excess general liability and property coverage, and (ii) the Southern California Regional Occupational Center ("SCROC") for vocational education services. Each JPA is independently accountable for its fiscal matters and maintains its own accounting records. The District shares in each JPA's deficits and surpluses in proportion to its participation therein. As such none of the JPAs are component units of the District for financial reporting purposes. Audited financial statements are available from the respective entities. See "APPENDIX B – 2021-22 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt obligations.

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2022 is shown below:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
General obligation bonds	\$84,955,859	\$--	\$5,188,618	\$79,767,241
Unamortized premium	1,282,754	--	58,569	1,224,185
Accreted interest	34,962,440	3,538,598	2,046,383	36,454,655
Total general obligation bonds	<u>121,201,053</u>	<u>3,538,598</u>	<u>7,293,570</u>	<u>117,446,081</u>
Compensated absences	345,104	--	85,185	259,919
Total OPEB liability	2,385,356	--	119,034	2,266,322
Net pension liability	42,147,470	--	20,497,471	21,649,999
Total	<u>\$166,078,983</u>	<u>\$3,538,598</u>	<u>\$27,995,260</u>	<u>\$141,622,321</u>

Source: El Segundo Unified School District.

General Obligation Bonds. The District has issued general obligation bonds pursuant to three voter-approved authorizations, as well as four series of general obligation refunding bonds to refinance portions thereof. The following table shows the prior bond issuances of the District outstanding as of May 1, 2023.

**SUMMARY OF OUTSTANDING BONDED DEBT
El Segundo Unified School District**

Issuance	Initial Principal Amount	Principal Outstanding⁽¹⁾	Date of Delivery
General Obligation Bonds, 1997 Election, Series B	\$6,210,298.75	\$310,630.05	March 4, 1999
General Obligation Bonds, Election of 1997, Series 2000C	4,002,798.50	1,050,241.60	December 12, 2000
General Obligation Bonds, Election of 1997, Series 2002D	4,788,184.20	1,588,903.25	September 18, 2002
General Obligation Bonds, Election of 2001, Series 2003	3,998,287.30	2,519,469.40	October 14, 2003
2004 General Obligation Refunding Bonds	23,635,630.70	805,630.70	July 22, 2004
Election of 2008 General Obligation Bonds, Series A	13,999,902.05	13,999,902.05	February 12, 2009
Election of 2018 General Obligation Bonds, Series A	27,000,000.00	20,720,000.00	June 26, 2019
Election of 2018 General Obligation Bonds, Series B	33,000,000.00	33,000,000.00	August 26, 2020

⁽¹⁾ As of May 1, 2023.

Source: El Segundo Unified School District.

The table on the following page shows future debt service payments on all of the District's outstanding general obligation bonds, including the Bonds.

GENERAL OBLIGATION BONDS – CONSOLIDATED DEBT SERVICE SCHEDULE
El Segundo Unified School District

Year Ending (August 1)	1997 Series B Bonds	1997 Series C Bonds	1997 Series D Bonds	2001 Series 2003 Bonds⁽²⁾	2004 Refunding Bonds⁽²⁾	2008 Series A Bonds	2018 Series A Bonds	2018 Series B Bonds	The Bonds	Total Annual Debt Service
2023	\$675,000.00	\$545,000.00	\$455,000.00	\$480,000.00	--	--	\$715,562.50	\$1,922,568.76		
2024	915,000.00 ⁽¹⁾	1,660,000.00	300,000.00	545,000.00	\$3,130,000.00	\$560,000.00	715,562.50	1,477,568.76		
2025	--	2,660,000.00	335,000.00	605,000.00	--	655,000.00	715,562.50	858,768.76		
2026	--	--	3,115,000.00	685,000.00	--	715,000.00	715,562.50	858,768.76		
2027	--	--	1,660,000.00	765,000.00	--	2,785,000.00	715,562.50	1,413,768.76		
2028	--	--	--	3,290,000.00	--	4,705,000.00	715,562.50	1,556,568.76		
2029	--	--	--	3,475,000.00	--	8,655,000.00	715,562.50	1,677,768.76		
2030	--	--	--	--	--	9,160,000.00	715,562.50	1,757,968.76		
2031	--	--	--	--	--	9,665,000.00	715,562.50	1,838,568.76		
2032	--	--	--	--	--	10,175,000.00	715,562.50	1,439,368.76		
2033	--	--	--	--	--	10,730,000.00	715,562.50	1,409,368.76		
2034	--	--	--	--	--	--	715,562.50	1,129,368.76		
2035	--	--	--	--	--	--	1,450,562.50	1,109,368.76		
2036	--	--	--	--	--	--	1,508,812.50	1,089,368.76		
2037	--	--	--	--	--	--	1,572,312.50	1,069,368.76		
2038	--	--	--	--	--	--	1,635,562.50	1,054,368.76		
2039	--	--	--	--	--	--	1,698,312.50	1,034,368.76		
2040	--	--	--	--	--	--	1,766,112.50	1,014,368.76		
2041	--	--	--	--	--	--	1,837,712.50	994,368.76		
2042	--	--	--	--	--	--	1,911,012.50	974,368.76		
2043	--	--	--	--	--	--	1,990,862.50	1,454,368.76		
2044	--	--	--	--	--	--	2,066,962.50	1,424,368.76		
2045	--	--	--	--	--	--	2,149,312.50	2,754,368.76		
2046	--	--	--	--	--	--	2,237,612.50	2,857,168.76		
2047	--	--	--	--	--	--	2,326,562.50	2,971,968.76		
2048	--	--	--	--	--	--	2,418,281.26	3,093,468.76		
2049	--	--	--	--	--	--	--	4,436,468.76		
2050	--	--	--	--	--	--	--	4,621,156.26		
Total	<u>\$1,590,000.00</u>	<u>\$4,865,000.00</u>	<u>\$5,865,000.00</u>	<u>\$9,845,000.00</u>	<u>\$3,130,000.00</u>	<u>\$57,805,000.00</u>	<u>\$35,156,743.76</u>	<u>\$49,293,712.78</u>		

⁽¹⁾ Mature February 1.

⁽²⁾ Mature September 1.

Source: El Segundo Unified School District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 that for tax years beginning after December 31, 2022, 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 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 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 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 opinions 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 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 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 *ad valorem* property tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See “THE BONDS – Statutory Lien” 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 fund 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 general obligation 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 Treasury Pool, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – LOS ANGELES COUNTY INVESTMENT 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 State Government Code, are eligible for security for deposits of public moneys in the State.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Bondholders (including the 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 2022-23 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed 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 last five years, the District filed the 2017-18 annual report two days late for certain of the District's then-outstanding bonds.

Absence of Material 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.

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims, if determined adverse to the District, would not materially affect the finances of the District.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by 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.

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 the rating of "Aa2" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from therefrom.

Generally, rating agencies base their ratings 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. 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.

The District has covenanted in a Continuing Disclosure Certificate to file on the Electronic Municipal Market Access website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "LEGAL MATTERS - Continuing Disclosure" herein 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 the rating agency 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 rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Financial Statements

The District's audited financial statements with required supplemental information for the year ended June 30, 2022, the independent auditor's report of the District, the related statements of activities and of cash flows for the year then ended, and the report of Harshwal & Company LLP, Certified Public Accountants (the "Auditor"), dated December 5, 2022, are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements 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.

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/less] [net] original issue [premium/discount] 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, 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.

EL SEGUNDO UNIFIED SCHOOL DISTRICT

By: _____
Melissa Moore, Ed.D.
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

_____, 2023

Board of Education
El Segundo Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ El Segundo Unified 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 El Segundo Unified School District (the “District”) voting at an election held on November 6, 2018, and a resolution adopted by the Board of Education of the District on March 28, 2023 (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 by the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, 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, for tax years beginning after December 31, 2022, 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 (and original issue discount) 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 (to the extent the redemption price at

maturity is greater than the issue price) 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 a Bond Owner will increase the Bond Owner's basis in the applicable Bond.

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 may 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

APPENDIX B

2021-22 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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EL SEGUNDO UNIFIED SCHOOL DISTRICT
EL SEGUNDO, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022



EL SEGUNDO UNIFIED SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
El Segundo Unified School District
El Segundo, California

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 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 generally accepted auditing standards 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 generally accepted auditing standards 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 required supplementary information, such as management's discussion and analysis and the budgetary comparison information and pension and OPEB related required supplementary information section on pages 86 be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 05, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshwal & Company LLP

San Diego, California
December 05, 2022

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

INTRODUCTION

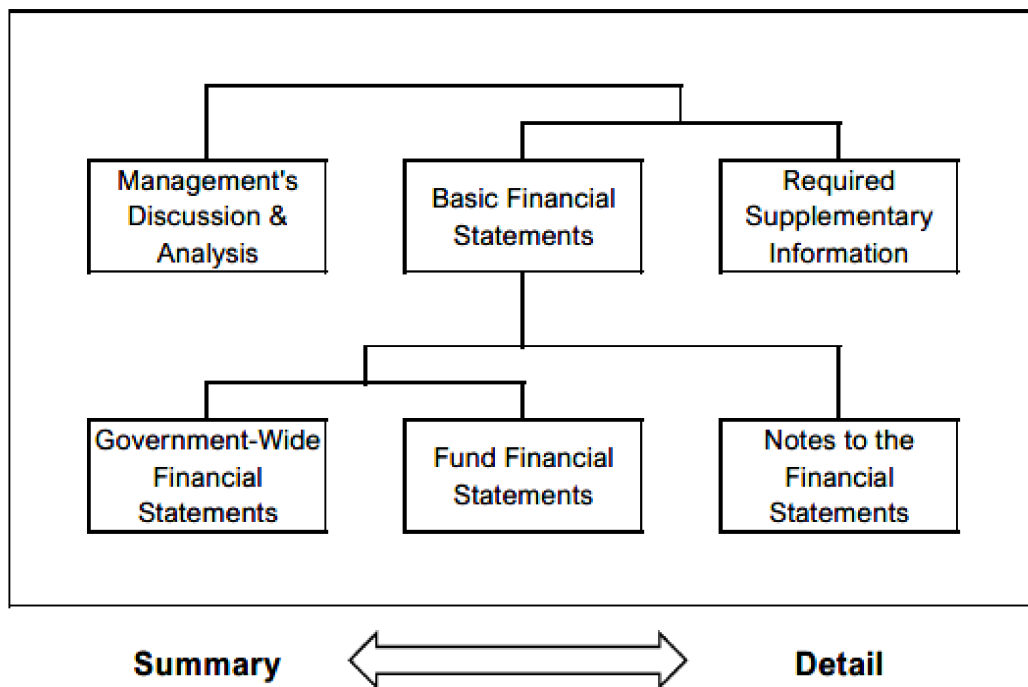
Our discussion and analysis of El Segundo Unified School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$6,943,135 at June 30, 2022. This was an increase of \$3,825,293 from the prior year.
- Overall revenues were \$53,514,102 which were more than expenses of \$49,688,809.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial's Section



This annual report consists of three parts - Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS - CONT'D

Components of the Financials Section - Cont'd

- **Governmental fund statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental Funds** provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - **Fiduciary Funds** report balances for which the District is a custodian or trustee of the funds, such as Associated Student Bodies and pension funds. The District does not have any fiduciary funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$6,943,135 at June 30, 2022, as reflected in the table below. Of this amount, \$(137,006,670) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

Table 1: Net Position

	Governmental Activities		
	2022	2021	Net Change
Assets:			
Current and other assets	\$ 88,114,217	\$102,053,749	\$ (13,939,532)
Capital assets	<u>71,561,129</u>	<u>61,995,891</u>	<u>9,565,238</u>
Total assets	<u>159,675,346</u>	<u>164,049,640</u>	<u>(4,374,294)</u>
Deferred outflows of resources	13,546,529	13,824,734	(278,205)
Liabilities:			
Current liabilities	12,379,555	11,326,005	1,053,550
Long-term liabilities	<u>136,016,591</u>	<u>160,831,798</u>	<u>(24,815,207)</u>
Total liabilities	<u>148,396,146</u>	<u>172,157,803</u>	<u>(23,761,657)</u>
Deferred inflows of resources	17,882,594	2,598,729	15,283,865
Net position:			
Net investment in capital assets	71,561,129	61,995,891	9,565,238
Restricted	72,388,676	85,498,001	(13,109,325)
Unrestricted	<u>(137,006,670)</u>	<u>(144,376,050)</u>	<u>7,369,380</u>
Total net position	<u><u>\$ 6,943,135</u></u>	<u><u>\$ 3,117,842</u></u>	<u><u>\$ 3,825,293</u></u>

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - CONT'D

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table shown below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

Table 2: Changes in Net Position

	Governmental Activities		
	2022	2021	Net Change
REVENUES:			
Program revenues:			
Charges for services	\$ 164,476	\$ 164,509	\$ (33)
Operating grants and contributions	13,881,729	11,444,713	2,437,016
Capital grants and contributions	7,784	6,865	919
General revenues:			
Property taxes	18,757,305	18,877,524	(120,219)
Unrestricted federal and state aid	22,115,132	20,561,492	1,553,640
Other	(1,412,324)	4,150,910	(5,563,234)
Total revenues	<u>53,514,102</u>	<u>55,206,013</u>	<u>(1,691,911)</u>
EXPENSES:			
Instruction	23,263,254	27,272,659	(4,009,405)
Instruction - related services	3,405,928	2,981,546	424,382
Pupil services	3,916,404	3,058,706	857,698
General administration	4,502,438	3,824,116	678,322
Plant services	4,290,080	4,668,172	(378,092)
Ancillary and community services	1,190,846	692,657	498,189
Debt service	5,760,120	10,905,582	(5,145,462)
Other outgo	402,097	738,642	(336,545)
Depreciation	3,316,483	2,809,526	506,957
Other	(358,841)	49,602	(408,443)
Total expenses	<u>49,688,809</u>	<u>57,001,208</u>	<u>(7,312,399)</u>
Change in net position	3,825,293	(1,795,195)	5,620,488
Net position beginning of the year	<u>3,117,842</u>	<u>4,853,024</u>	<u>(1,735,182)</u>
Prior period adjustments	-	60,013	(60,013)
Net position beginning of the year, as restated	<u>3,117,842</u>	<u>4,913,037</u>	<u>(1,795,195)</u>
Net position end of the year	<u>\$ 6,943,135</u>	<u>\$ 3,117,842</u>	<u>\$ 3,825,293</u>

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - CONT'D

Changes in Net Position - Cont'd

The cost of all our governmental activities this year was \$49,688,809 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$18,757,305 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions \$13,889,513.

The net cost of services provided for the year ended June 30, 2022 was \$35,634,820, a decrease of 21.48% from the prior year. In the table below, we have presented the net cost of each of the District's functions. As previously noted, 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: Net Cost of Services

	Net Cost of Services	
	2022	2021
Instruction	\$ 16,320,237	\$ 21,477,222
Instruction-related services	3,094,085	2,841,281
Pupil services	1,074,669	1,576,767
General administration	4,339,338	3,712,251
Plant services	2,275,122	2,058,577
Ancillary and community services	1,180,746	691,011
Debt service	5,760,120	10,905,582
Transfers to other agencies	(1,360,511)	(735,719)
Depreciation	3,316,483	2,809,526
Other	(365,469)	48,623
Total Expenses	\$ 35,634,820	\$ 45,385,121

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$79,932,482, which is more than last year's ending fund balance of \$94,768,392.

The District's General Fund had \$880,340 more in operating revenues than expenditures for the year ended June 30, 2022.

The District's Building Fund had \$12,030,071 less in operating revenues than expenditures for the year ended June 30, 2022.

The District's Special Reserve Fund for Capital Outlay Projects Fund had \$3,809,258 less in operating revenues than expenditures for the year ended June 30, 2022.

The District's Bond Interest and Redemption Fund had \$708,483 less in operating revenues than expenditures for the year ended June 30, 2022.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

CURRENT YEAR BUDGET 2021-22

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a frequently basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information. The District's General Fund had increases in actual revenues and increases in actual expenditures as compared to its original budget. The increases were primarily due to increases in state aid and local sources offset by an increase in operating expenditures.

CAPITAL ASSETS AND LONG- TERM LIABILITIES

Capital Assets

By the end of 2021-22 the District had invested \$71,561,129 in capital assets, net of accumulated depreciation.

Table 4: Capital Assets

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Land	\$ 2,751,914	\$ 2,751,914	\$ -
Construction in progress	14,030,515	7,536,406	6,494,109
Land improvements	13,959,753	12,538,529	1,421,224
Buildings & improvements	87,307,964	83,210,450	4,097,514
Furniture & equipment	8,298,068	7,429,194	868,874
Accumulated depreciation	(54,787,085)	(51,470,602)	(3,316,483)
Total Capital Assets	\$ 71,561,129	\$ 61,995,891	\$ 9,565,238

Long- Term Liabilities

At year-end, the District had \$136,016,591 in long-term liabilities, a decrease of 15.43% from last year - as shown in the table below. (More detailed information about the District's long- term liabilities is presented in footnotes to the financial statements.)

Table 5: Long- Term Liabilities

	Governmental Activities		
	2022	2021	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 117,446,081	\$ 121,201,053	\$ (3,754,972)
Compensated absences	259,919	345,104	(85,185)
Total OPEB liability	2,266,322	2,385,356	(119,034)
Net pension liability	21,649,999	42,147,470	(20,497,471)
Less: current portion of long-term liabilities	(5,605,730)	(5,247,185)	(358,545)
Total Long-term liabilities	\$ 136,016,591	\$ 160,831,798	\$ (24,815,207)

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The US and State economies continue to recover from COVID-19. Inflation and supply chain issues affect the daily cost of doing business for districts. The California economy has fared well, and a surplus was realized in the 2021-22 fiscal year. In 2021-22 TK - 12 education received a 5.70% Cost of Living Adjustment (COLA) raising the proposition 98 guarantee to historic levels. 2022-23 saw a COLA of 6.56% with an add on of 6.28%. Economists expect this growth to slow significantly over the next year as the economy settles after COVID-19.

Landmark legislation passed in 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low-income brackets, those that are English language learners and foster youth. Factors related to LCFF that the El Segundo Unified School District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20, but no additional allocation is planned. Employer rates are anticipated to grow in future years to meet the funding requirements. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs. While the district recovered enrollment lost from the pandemic, declines in enrollment are anticipated in the upcoming years as Transitional Kindergarten students are absorbed into the regular enrollment projections.

All of these factors were considered in preparing the District's budget for the 2022-23 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the:

Chief Business Official
at (310) 615-2650
El Segundo Unified School District
614 Sheldon Street
El Segundo, California, 90245.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

		Governmental Activities
ASSETS		
Cash and investments	\$	85,277,832
Accounts receivable		2,696,520
Prepaid expenses and other current assets		139,865
Capital assets, not being depreciated		16,782,429
Capital assets, net of accumulated depreciation		54,778,700
Total assets		159,675,346
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pension		12,234,982
Deferred outflow related to OPEB		1,148,971
Deferred amount on refunding		162,576
Total deferred outflows of resources		13,546,529
Total assets and deferred outflows of resources		173,221,875
LIABILITIES		
Accounts payable		4,690,038
Accrued interest		790,885
Unearned revenue		1,292,902
Long-term liabilities, current portion		5,605,730
Long-term liabilities, non-current portion		136,016,591
Total liabilities		148,396,146
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		17,056,363
Deferred inflows related to OPEB		826,231
Total deferred inflows of resources		17,882,594
NET POSITION		
Net investment in capital assets		71,561,129
Restricted for:		
Capital projects		49,939,905
Debt service		9,773,699
Educational programs		11,931,542
Child nutrition services		743,530
Others		-
Unrestricted		(137,006,670)
Total net position		6,943,135
Total liabilities, deferred inflows of resources and net position	\$	173,221,875

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

EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 23,263,254	\$ 36,494	\$ 6,898,739	\$ 7,784	\$ (16,320,237)
Instruction-related services					
Instructional supervision and administration	628,352	2	50,320	-	(578,030)
Instructional library, media, and technology	187,666	-	12,079	-	(175,587)
School site administration	2,589,910	30	249,412	-	(2,340,468)
Pupil services					
Home-to-school transportation	71,342	204	9,259	-	(61,879)
Food services	1,127,249	54,679	1,665,706	-	593,136
All other pupil services	2,717,813	1,016	1,110,871	-	(1,605,926)
General administration					
Centralized data processing	1,390,438	3	6,307	-	(1,384,128)
All other general administration	3,112,000	292	156,498	-	(2,955,210)
Plant services	4,392,862	1,912	76,139	-	(4,314,811)
Facilities acquisition and maintenance	(102,782)	36,056	1,900,851	-	2,039,689
Ancillary services	76,149	217	9,883	-	(66,049)
Community services	1,114,697	-	-	-	(1,114,697)
Enterprise activities	(358,841)	-	6,628	-	365,469
Interest on long-term debt	5,760,120	-	-	-	(5,760,120)
Other outgo	402,097	33,571	1,729,037	-	1,360,511
Depreciation (unallocated)	3,316,483	-	-	-	(3,316,483)
Total governmental activities	\$ 49,688,809	\$ 164,476	\$ 13,881,729	\$ 7,784	\$ (35,634,820)

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

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
General revenues:				
Taxes and subventions:				
Property taxes, levied for general purposes				10,355,640
Property taxes, levied for debt service				8,390,672
Property taxes, levied for other specific purposes				10,993
Federal and state aid not restricted for specific purposes				22,115,132
Interest and investment earnings				(4,108,091)
Miscellaneous				2,695,767
Total general revenues				39,460,113
Change in net position				3,825,293
Net position - beginning of year				3,117,842
Net position - ending of year				\$ 6,943,135

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

FUND FINANCIAL STATEMENTS

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Building Fund</u>
ASSETS		
Cash and investments	\$ 19,218,540	\$ 33,029,138
Accounts receivable	2,346,205	118,479
Other current assets	124,065	-
Prepaid expenditures	<u>15,800</u>	<u>-</u>
Total assets	<u>21,704,610</u>	<u>33,147,617</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	2,621,048	1,575,672
Unearned revenues	<u>1,292,902</u>	<u>-</u>
Total liabilities	<u>3,913,950</u>	<u>1,575,672</u>
FUND BALANCES		
Nonspendable	26,800	-
Restricted	11,931,542	31,571,945
Committed	4,461,292	-
Assigned	-	-
Unassigned	<u>1,371,026</u>	<u>-</u>
Total fund balances	<u>17,790,660</u>	<u>31,571,945</u>
Total liabilities and fund balances	<u>\$ 21,704,610</u>	<u>\$ 33,147,617</u>

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

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund
ASSETS		
Cash and investments	\$ 16,576,982	\$ 9,773,699
Accounts receivable	5,310	-
Other current assets	-	-
Prepaid expenditures	-	-
	<u>16,582,292</u>	<u>9,773,699</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	-	-
Unearned revenues	-	-
	<u>-</u>	<u>-</u>
Total liabilities	-	-
FUND BALANCES		
Nonspendable	-	-
Restricted	16,582,292	-
Committed	-	-
Assigned	-	9,773,699
Unassigned	-	-
	<u>16,582,292</u>	<u>9,773,699</u>
Total fund balances	16,582,292	9,773,699
	<u>16,582,292</u>	<u>9,773,699</u>
Total liabilities and fund balances	<u>\$ 16,582,292</u>	<u>\$ 9,773,699</u>

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

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 4,484,242	\$ 83,082,601
Accounts receivable	222,232	2,692,226
Other current assets	-	124,065
Prepaid expenditures	-	15,800
	4,706,474	85,914,692
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	492,588	4,689,308
Unearned revenues	-	1,292,902
	492,588	5,982,210
FUND BALANCES		
Nonspendable	1,010	27,810
Restricted	4,212,876	64,298,655
Committed	-	4,461,292
Assigned	-	9,773,699
Unassigned	-	1,371,026
	4,213,886	79,932,482
Total fund balances	4,213,886	79,932,482
Total liabilities and fund balances	\$ 4,706,474	\$ 85,914,692

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

EL SEGUNDO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances - governmental funds \$ 79,932,482

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Cost of capital assets	126,348,214	
Less: Accumulated depreciation	<u>(54,787,085)</u>	71,561,129

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

162,576

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(790,885)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	(117,446,081)	
Compensated absences	(259,919)	
Net pension liability	<u>(21,649,999)</u>	(139,355,999)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	12,234,982	
Deferred inflows of resources related to pensions	<u>(17,056,363)</u>	\$ (4,821,381)

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position.

Net position for internal service funds is:

255,213

Total net position - governmental activities

\$ 6,943,135

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

EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Building Fund</u>
REVENUES:		
LCFF sources	\$ 31,691,791	\$ -
Federal sources	2,767,268	-
Other state sources	6,538,560	-
Other local sources	<u>5,583,595</u>	<u>267,303</u>
Total revenues	<u>46,581,214</u>	<u>267,303</u>
EXPENDITURES:		
Current:		
Instruction	28,018,131	-
Instruction-related services		
Instructional supervision and administration	628,352	-
Instructional library, media, and technology	187,666	-
School site administration	2,589,910	-
Pupil services		
Home-to-school transportation	71,342	-
Food services	-	-
All other pupil services	2,717,813	-
General administration		
Centralized data processing	1,390,438	-
All other general administration	2,948,223	-
Plant services	4,245,152	-
Facilities acquisition and maintenance	396,526	12,297,374
Ancillary services	76,149	-
Community services	1,114,697	-
Enterprise activities	764,378	-
Transfers to other agencies	402,097	-
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	<u>45,550,874</u>	<u>12,297,374</u>
Excess/(deficiency) of revenues over/(under) expenditures	1,030,340	(12,030,071)
OTHER FINANCING SOURCES (USES):		
Transfer in	-	-
Transfer out	<u>(150,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>-</u>
Net change in fund balance	<u>880,340</u>	<u>(12,030,071)</u>
Fund balances - beginning of year	16,910,320	43,602,016
Fund balance - end of year	<u>\$ 17,790,660</u>	<u>\$ 31,571,945</u>

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

EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund
REVENUES:		
LCFF sources	\$ -	\$ -
Federal sources	-	-
Other state sources	-	17,581
Other local sources	(3,676,321)	8,415,702
Total revenues	(3,676,321)	8,433,283
EXPENDITURES:		
Current:		
Instruction	-	-
Instruction-related services		
Instructional supervision and administration	-	-
Instructional library, media, and technology	-	-
School site administration	-	-
Pupil services		
Home-to-school transportation	-	-
Food services	-	-
All other pupil services	-	-
General administration		
Centralized data processing	-	-
All other general administration	-	-
Plant services	132,937	-
Facilities acquisition and maintenance	-	-
Ancillary services	-	-
Community services	-	-
Enterprise activities	-	-
Transfers to other agencies	-	-
Debt service:		
Principal	-	5,188,618
Interest	-	3,953,148
Total expenditures	132,937	9,141,766
Excess/(deficiency) of revenues over/(under) expenditures	(3,809,258)	(708,483)
OTHER FINANCING SOURCES (USES):		
Transfer in	-	-
Transfer out	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	(3,809,258)	(708,483)
Fund balances - beginning of year	20,391,550	10,482,182
Fund balance - end of year	\$ 16,582,292	\$ 9,773,699

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

EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:		
LCFF sources	\$ -	\$ 31,691,791
Federal sources	1,608,408	4,375,676
Other state sources	115,919	6,672,060
Other local sources	184,296	10,774,575
	<u>1,908,623</u>	<u>53,514,102</u>
EXPENDITURES:		
Current:		
Instruction	-	28,018,131
Instruction-related services		
Instructional supervision and administration	-	628,352
Instructional library, media, and technology	-	187,666
School site administration	-	2,589,910
Pupil services		
Home-to-school transportation	-	71,342
Food services	1,127,249	1,127,249
All other pupil services	-	2,717,813
General administration		
Centralized data processing	-	1,390,438
All other general administration	-	2,948,223
Plant services	14,773	4,392,862
Facilities acquisition and maintenance	85,039	12,778,939
Ancillary services	-	76,149
Community services	-	1,114,697
Enterprise activities	-	764,378
Transfers to other agencies	-	402,097
Debt service:		
Principal	-	5,188,618
Interest	-	3,953,148
	<u>1,227,061</u>	<u>68,350,012</u>
Total expenditures		
Excess/(deficiency) of revenues over/(under) expenditures	681,562	(14,835,910)
OTHER FINANCING SOURCES (USES):		
Transfer in	150,000	150,000
Transfer out	-	(150,000)
	<u>150,000</u>	<u>-</u>
Total other financing sources (uses)		
Net change in fund balance	<u>831,562</u>	<u>(14,835,910)</u>
Fund balances - beginning of year	3,382,324	94,768,392
Fund balance - end of year	<u>\$ 4,213,886</u>	<u>\$ 79,932,482</u>

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

EL SEGUNDO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds \$ (14,835,910)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	12,881,721	
Depreciation expense	<u>(3,316,483)</u>	9,565,238

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt was:

5,188,618

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(163,777)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(373,326)

EL SEGUNDO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,492,215)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 85,185

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 4,669,692

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 58,569

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 1,123,219

Changes in net position - governmental activities \$ 3,825,293

EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	<u>Self-Insurance Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 2,195,231
Accounts receivable	4,294
Total assets	2,199,525
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	1,148,971
Total deferred outflows of resources	1,148,971
LIABILITIES	
Noncurrent liabilities	
Accounts payable	730
Total OPEB liability	2,266,322
Total noncurrent liabilities	2,267,052
Total liabilities	2,267,052
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	826,231
Total deferred inflows of resources	826,231
NET POSITION	
Unrestricted	255,213
Total net position	\$ 255,213

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

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Self-Insurance Fund</u>
OPERATING REVENUE	
Charges for services	\$ 658,830
Total operating revenues	658,830
OPERATING EXPENSE	
Salaries and benefits	84,131
Total operating expenses	84,131
Operating income/(loss)	574,699
NONOPERATING REVENUES	
OPEB income (expense)	548,520
Total non-operating revenues	548,520
Change in net position	1,123,219
Net Position - beginning of year	(868,006)
Net Position - ending of year	\$ 255,213

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

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Self-Insurance Fund</u>
Cash flows from operating activities:	
Cash received from user charges	\$ 658,830
Cash payments for payroll, insurance, and operating costs	<u>(84,516)</u>
Net cash provided (used) by operating activities	<u>574,314</u>
Change in cash and cash equivalent	574,314
Cash and cash equivalent - beginning of year	<u>1,620,917</u>
Cash and cash equivalent - end of year	<u><u>\$ 2,195,231</u></u>
Reconciliation of operating income (loss) to cash provided (used) by operating activities:	
Operating income/(loss)	\$ 574,699
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
OPEB income (expense)	548,520
Changes in assets and liabilities:	
Accounts receivable	(1,115)
Accounts payable	730
Deferred outflows of resources - OPEB	(527,433)
Deferred inflows of resources - OPEB	97,947
Total OPEB Liability	<u>(119,034)</u>
Net cash provided (used) by operating activities	<u><u>\$ 574,314</u></u>

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

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

El Segundo Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The El Segundo Educational Foundation (the "component unit"), although a legally separate tax-exempt entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, the District is entitled to, or had the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and the economic resources received or held by an individual organization that the District is entitled to, or had the ability to otherwise access, are significant to the District.

C. Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Basis of Presentation - Cont'd

Government-Wide Statements - Cont'd

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.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs. The District does not have any fiduciary funds.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for activity in another fund. A District may have only one General Fund.

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to accumulate of General Fund money for capital outlay purposes (*Education Code Section 42840*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125-15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Basis of Presentation - Cont'd

Nonmajor Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090-38093*). The Cafeteria Special Revenue Fund shall be 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: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582-17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school District may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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.

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620-17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970-65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This 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), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Basis of Presentation - Cont'd

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of other parties in a trustee or agent capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. The District does not have any fiduciary funds.

D. Basis of Accounting - Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. Basis of Accounting - Measurement Focus - Cont'd

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position*

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

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 are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position - Cont'd*

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	25-50
Furniture and Equipment	5-15
Vehicles	8

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 01, 2020 - June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position - Cont'd*

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

Leases

Lessee

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position - Cont'd*

Lessor

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.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner, in which they were imposed, that is, by the same formal action of the Governing Board.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position - Cont'd*

Fund Balance - Cont'd

Assigned - The assigned fund balance classification reflects amounts that the government intends to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. *Budgetary Data*

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

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

G. *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.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. 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 and after non-operating revenues/expenses in proprietary 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 columns of the statement of activities.

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

The District adopted the following new accounting pronouncements issued by the GASB during the current fiscal year ended June 30, 2022:

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for 18 months.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

Implementation Guide No. 2019-3. *Leases*. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

The District is currently reviewing its accounting practices to determine the potential impacts on the financial statements for the following GASB Statements:

The GASB issued Statement No. 92, *Omnibus 2020* in January 2020. This Statement addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

J. *New Accounting Pronouncements - Cont'd*

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* in March 2020. This Statement will address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021 and the requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* in March 2020. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections is an amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB issued Statement No. 101 *Compensated Absences* is an update on the recognition and measurement guidance for compensated absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Total Governmental Activities
Investment in county treasury	\$ 68,654,399	\$ 2,195,231	\$ 70,849,630
Cash on hand and in banks	7,172	-	7,172
Cash in revolving fund	12,010	-	12,010
Special purpose investment	14,409,020	-	14,409,020
Total	<u>\$ 83,082,601</u>	<u>\$ 2,195,231</u>	<u>\$ 85,277,832</u>

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury - The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

Special Purpose Investment - The District authorized the Treasurer's Office to invest \$16,000,000 in a Specific Investment with Federal Agency or Treasury obligations at a yield of 3.25% or better on a long-term investment. At June 30, 2022, the investment had an amortized cost of \$16,000,000 and a market value of \$14,409,020.

C. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of \$49,016,827 and an amortized book value of \$51,133,352. The average weighted maturity for this pool is 933 days.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 - CASH AND INVESTMENTS - CONT'D

D. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were not rated.

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 - CASH AND INVESTMENTS - CONT'D

F. Custodial Credit Risk - Deposits - Cont'd

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, \$3,022,963 of the District's bank balance was exposed to custodial credit risk attributed to the student body funds.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

The District's fair value measurements for governmental activities at June 30, 2022 were as follows:

	Fair Market Value of Investments		
	Observable Inputs		Total
	Level 2	Uncategorized	
Investment in county treasury	\$ -	\$ 49,016,827	\$ 49,016,827
Special purpose investment	14,409,020	-	14,409,020
Total	\$ 14,409,020	\$ 49,016,827	\$ 63,425,847

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 - ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>
Federal Government						
Categorical aid	\$ 1,414,577	\$ -	\$ -	\$ 213,435	\$ -	\$ 1,628,012
State Government						
Categorical aid	450,598	-	-	-	-	450,598
Lottery	212,404	-	-	-	-	212,404
Local Government						
Other local sources	<u>268,626</u>	<u>118,479</u>	<u>5,310</u>	<u>8,797</u>	<u>4,294</u>	<u>405,506</u>
Total	<u>\$ 2,346,205</u>	<u>\$ 118,479</u>	<u>\$ 5,310</u>	<u>\$ 222,232</u>	<u>\$ 4,294</u>	<u>\$ 2,696,520</u>

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2022</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 2,751,914	\$ -	\$ -	\$ -	\$ 2,751,914
Construction in progress	7,536,406	6,494,109	-	(1,780,462)	14,030,515
Total capital assets not being depreciated	<u>10,288,320</u>	<u>6,494,109</u>	<u>-</u>	<u>(1,780,462)</u>	<u>16,782,429</u>
Capital assets being depreciated					
Land improvements	12,538,529	1,421,224	-	-	13,959,753
Buildings & improvements	83,210,450	4,105,143	(7,629)	1,650,572	87,307,964
Furniture & equipment	7,429,194	868,874	-	129,890	8,298,068
Total capital assets being depreciated	<u>103,178,173</u>	<u>6,395,241</u>	<u>(7,629)</u>	<u>1,780,462</u>	<u>109,565,785</u>
Less Accumulated Depreciation					
Land improvements	4,241,316	85,442	-	-	4,326,758
Buildings & improvements	44,273,889	1,792,984	-	-	46,066,873
Furniture & equipment	2,955,397	1,438,057	-	-	4,393,454
Total accumulated depreciation	<u>51,470,602</u>	<u>3,316,483</u>	<u>-</u>	<u>-</u>	<u>54,787,085</u>
Governmental activities capital assets, net	<u>\$ 61,995,891</u>	<u>\$ 9,572,867</u>	<u>\$ (7,629)</u>	<u>\$ -</u>	<u>\$ 71,561,129</u>

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Nonmajor Governmental Funds	Internal Service Fund	Government al Activities
Construction	\$ -	\$ 1,575,672	\$ -	\$ -	\$ 1,575,672
Vendors payable	2,621,048	-	492,588	730	3,114,366
Total	<u>\$ 2,621,048</u>	<u>\$ 1,575,672</u>	<u>\$ 492,588</u>	<u>\$ 730</u>	<u>\$ 4,690,038</u>

NOTE 6 - UNEARNED REVENUE

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

	General Fund	Total Governmental Activities
Federal sources	\$ 23,706	\$ 23,706
State sources	143,800	143,800
Local sources	1,125,396	1,125,396
Total	<u>\$ 1,292,902</u>	<u>\$ 1,292,902</u>

NOTE 7 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Due In One Year
Governmental Activities					
General obligation bonds	\$ 84,955,859	\$ -	\$ 5,188,618	\$ 79,767,241	\$ 5,547,161
Unamortized premium	1,282,754	-	58,569	1,224,185	58,569
Accreted interest	34,962,440	3,538,598	2,046,383	36,454,655	-
Total general obligation bonds	<u>121,201,053</u>	<u>3,538,598</u>	<u>7,293,570</u>	<u>117,446,081</u>	<u>5,605,730</u>
Compensated absences	345,104	-	85,185	259,919	-
Total OPEB liability	2,385,356	-	119,034	2,266,322	-
Net pension liability	42,147,470	-	20,497,471	21,649,999	-
Total	<u>\$ 166,078,983</u>	<u>\$ 3,538,598</u>	<u>\$ 27,995,260</u>	<u>\$ 141,622,321</u>	<u>\$ 5,605,730</u>

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 - LONG-TERM LIABILITIES - CONT'D

A. Bonded Debt

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund. General Obligation Bond debt is paid from taxes collected by the County Treasurer and is recorded in the Bond Interest and Redemption Fund. A summary of the outstanding general obligation bonds as of June 30, 2022 is shown below:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Bonds outstanding June 30, 2022</u>
1997 Series A	03/01/1998	02/01/2023	3.60 - 4.80%	\$ 8,998,276	\$ 677,138	\$ -	\$ (229,930)	\$ 447,208
1997 Series B	03/01/1999	02/01/2024	3.00 - 5.07%	6,210,299	670,359	-	(222,891)	447,468
1997 Series C	12/12/2000	08/01/2025	3.90 - 5.85%	4,002,799	1,337,358	-	(148,823)	1,188,535
1997 Series D	09/18/2002	08/01/2027	3.60 - 5.97%	4,788,184	1,793,272	-	(86,884)	1,706,388
2001 Series 2003	10/02/2003	09/01/2028	2.00 - 5.55%	3,998,287	2,842,199	-	(155,090)	2,687,109
2004 Issue	07/22/2004	09/01/2023	2.00 - 5.67%	23,635,631	805,631	-	-	805,631
2008 Series A	01/24/2010	08/01/2033	5.87 - 6.60%	13,999,902	13,999,902	-	-	13,999,902
2012A Refunding	11/15/2012	09/01/2022	0.69 - 3.14%	18,130,000	5,295,000	-	(2,535,000)	2,760,000
2018 Series A	06/05/2019	08/01/2048	3.00 - 5.00%	27,000,000	24,535,000	-	(1,810,000)	22,725,000
2018 Series B	08/04/2020	08/01/2050	2.00 - 4.00%	33,000,000	33,000,000	-	-	33,000,000
				<u>\$143,763,378</u>	<u>\$ 84,955,859</u>	<u>\$ -</u>	<u>\$ (5,188,618)</u>	<u>\$ 79,767,241</u>

1997 Bonds

On March 1, 1998, March 1, 1999, December 12, 2000, and September 18, 2002, the District offered for sale \$8,998,276, \$6,210,299, \$4,002,799, and \$4,788,184 of general obligation bonds under the provisions of Chapter 2 of Part 10 of Division 1 Title 1 of the education code of the State of California and pursuant to resolutions adopted by the Board of Trustees on January 27, 1998. The bonds represent the first, second, third, and fourth issues of a total of \$24,000,000 of bonds approved by the District voters on November 4, 1997. The Bonds were issued to provide funds to renovate, construct, and improve school facilities throughout the District, including upgrading classrooms for modern technology and approximately \$1.50 million in funds were used to pre-pay capital leases previously issued by the District to finance capital improvements.

The annual requirements to amortize 1997 Series A bonds payable outstanding as of June 30, 2022, are as follows:

<u>Year Ended June 30,</u>	<u>1997 Series A</u>		
	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2023	\$ 221,905	\$ 818,095	\$ 1,040,000
2024	225,303	864,697	1,090,000
Total	<u>\$ 447,208</u>	<u>\$ 1,682,792</u>	<u>\$ 2,130,000</u>

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM LIABILITIES - CONT'D

A. Bonded Debt - Cont'd

1997 Bond - Cont'd

The annual requirements to amortize 1997 Series B bonds payable outstanding as of June 30, 2022, are as follows:

1997 Series B			
Year Ended June 30,	Principal	Accreted Interest Component	Total
2023	\$ 136,838	\$ 503,162	\$ 640,000
2024	135,115	539,885	675,000
2025	175,515	739,485	915,000
Total	\$ 447,468	\$ 1,782,532	\$ 2,230,000

The annual requirements to amortize 1997 Series C bonds payable outstanding as of June 30, 2022, are as follows:

1997 Series C			
Year Ended June 30,	Principal	Accreted Interest Component	Total
2023	\$ 138,294	\$ 406,706	\$ 545,000
2024	128,947	416,053	545,000
2025	368,520	1,291,480	1,660,000
2026	552,774	2,107,226	2,660,000
Total	\$ 1,188,535	\$ 4,221,465	\$ 5,410,000

The annual requirements to amortize 1997 Series D bonds payable outstanding as of June 30, 2022, are as follows:

1997 Series D			
Year Ended June 30,	Principal	Accreted Interest Component	Total
2023	\$ 117,485	\$ 232,515	\$ 350,000
2024	144,567	310,433	455,000
2025	90,225	209,775	300,000
2026	95,364	239,636	335,000
2027	837,406	2,277,594	3,115,000
2028	421,341	1,238,659	1,660,000
Total	\$ 1,706,388	\$ 4,508,612	\$ 6,215,000

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 - LONG-TERM LIABILITIES - CONT'D

A. Bonded Debt - Cont'd

2001 Bonds

On December 20, 2001 and October 2, 2003, the District offered for sale \$21,001,650 and \$3,998,287 of general obligation bonds under the provisions of Chapter 2 of Part 10 of Division 1 Title 1 of the education code of the State of California and pursuant to resolutions adopted by the Board of Trustees on July 10, 2001. The bonds represent the first issue of a total of \$25,000,000 of bonds approved by District voters on November 6, 2001. The Bonds were issued to provide funds to renovate, construct, and improve school facilities throughout the District.

On July 22, 2004, the District issued \$23,635,631 of 2004 General Obligation Refunding Bonds. From the proceeds, \$23,633,221 was deposited with an escrow agent for the defeasance of the 2001 series 2001 bonds. As such the bonds are considered defeased and are no longer reported by the District. The principal amount plus an issue premium were used to defease the 2001 Series 2001 General Obligation Bonds, pay costs of issuance, and fund certain projects of the District. The bonds also consist of Capital Appreciation Bonds in the amount of \$805,631 maturing 2024 at an interest rate of 5.67%.

The annual requirements to amortize 2001 Series 2003 bonds payable outstanding as of June 30, 2022, are as follows:

<u>Year Ended June 30,</u>	<u>2001 Series 2003</u>		
	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2023	167,639	312,361	480,000
2024	180,025	364,975	545,000
2025	189,014	415,986	605,000
2026	202,411	482,589	685,000
2027	213,794	551,206	765,000
2028	869,646	2,420,354	3,290,000
2029	864,580	2,610,420	3,475,000
Total	<u>\$ 2,687,109</u>	<u>\$ 7,157,891</u>	<u>\$ 9,845,000</u>

The annual requirements to amortize 2004 bonds payable outstanding as of June 30, 2022, are as follows:

<u>Year Ended June 30,</u>	<u>2004 Issue</u>		
	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2023	\$ -	\$ -	\$ -
2024	805,631	2,324,369	3,130,000
Total	<u>\$ 805,631</u>	<u>\$ 2,324,369</u>	<u>\$ 3,130,000</u>

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM LIABILITIES - CONT'D

A. Bonded Debt - Cont'd

2008 Bonds

On January 27, 2009 the District offered for sale \$14,000,000 of general obligation bonds under the provisions of Chapter 2 of Part 10 of Division 1 Title 1 of the education code of the State of California and pursuant to resolutions adopted by the Board of Trustees during the fiscal year 2008-09. The Series A Bonds were authorized at an election of the registered voters of the District held on November 4, 2008, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$14,000,000 principal amount of general obligation bonds of the District (the "Authorization"). The Series A Bonds represent the first series of bonds issued under the Authorization and are being issued to finance various school facilities for the District. The annual requirements to amortize 2008 bonds payable outstanding as of June 30, 2022, are as follows:

Year Ended June 30,	2008 Series A		
	Principal	Accreted Interest Component	Total
2023	\$ -	\$ -	\$ -
2024	-	-	-
2025	228,822	331,178	560,000
2026	247,000	408,000	655,000
2027	249,428	465,572	715,000
2028 - 2032	9,292,004	25,677,996	34,970,000
2033 - 2034	3,982,648	16,922,352	20,905,000
Total	\$ 13,999,902	\$ 43,805,098	\$ 57,805,000

2012 Bonds

On November 15, 2012 the District issued \$18,130,000 of 2012 Series A General Obligation Refunding Bonds and \$845,000 of 2012 Series B General Obligation Refunding Bonds. These bonds were issued by the District for the purpose of refunding a portion of the District's outstanding general obligation bonds and to pay costs of issuance of the 2012 Bonds. The Series A Bonds will refund a portion of the District's 2004 General Obligation Refunding Bonds now outstanding in the aggregate principal amount of \$19,175,631. The Series B Bonds refunded a portion of the District's General Obligation Bonds, Election of 1997, and Series 2002D.

The annual requirements to amortize 2012 bonds payable outstanding as of June 30, 2022, are as follows:

Year Ended June 30,	2012 Refunding Bonds		
	Principal	Interest	Total
2023	\$ 2,760,000	\$ 86,553	\$ 2,846,553
Total	\$ 2,760,000	\$ 86,553	\$ 2,846,553

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM LIABILITIES - CONT'D

A. Bonded Debt - Cont'd

2018 Bonds- Series A

In the November 2018 election, the citizens of the District approved, under Measure ES, the issuance and sale of not more than \$92,000,000 of general obligation bonds to upgrade classrooms, science labs, libraries, career training facilities and instructional technology to support student achievement within the District. On June 5, 2019 the District offered for sale \$27,000,000 of general obligation bonds. The 2018 Series A Bonds represent the first series of bonds issued under the Measure ES. The annual requirements to amortize the outstanding 2018 Series A bonds payable, as of June 30, 2022, are as follows:

<u>Year Ended June 30,</u>	<u>2018 Series A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,005,000	\$ 815,812	\$ 2,820,812
2024	-	715,562	715,562
2025	-	715,562	715,562
2026	-	715,563	715,563
2027	-	715,563	715,563
2028 - 2032	-	3,577,813	3,577,813
2033 - 2037	1,565,000	3,541,063	5,106,063
2038 - 2042	5,810,000	2,700,013	8,510,013
2043 - 2047	8,815,000	1,540,763	10,355,763
2048 - 2049	4,530,000	214,844	4,744,844
Total	<u>\$ 22,725,000</u>	<u>\$ 15,252,558</u>	<u>\$ 37,977,558</u>

2018 Bonds-Series B

In the November 2018 election, the citizens of the District approved, under Measure ES, the issuance and sale of not more than \$92,000,000 of general obligation bonds to upgrade classrooms, science labs, libraries, career training facilities and instructional technology to support student achievement within the District. On August 4, 2020 the District offered for sale \$33,000,000 of general obligation bonds. The 2018 Series B Bonds represent the Second series of bonds issued under the Measure ES. The annual requirements to amortize the outstanding 2018 Series B bonds payable, as of June 30, 2022, are as follows:

<u>Year Ended June 30,</u>	<u>2018 Series B</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	-	922,569	922,569
2024	1,000,000	922,569	1,922,569
2025	595,000	882,569	1,477,569
2026	-	858,769	858,769
2027	-	858,769	858,769
2028 - 2032	4,235,000	4,009,644	8,244,644
2033 - 2037	3,000,000	3,176,844	6,176,844
2038 - 2042	2,500,000	2,666,844	5,166,844
2043 - 2047	7,370,000	2,094,644	9,464,644
2048 - 2051	14,300,000	823,063	15,123,063
Total	<u>\$ 33,000,000</u>	<u>\$ 17,216,284</u>	<u>\$ 50,216,284</u>

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM LIABILITIES - CONT'D

A. Bonded Debt - Cont'd

Accreted Interest

Capital appreciation bonds were issued as a part of the 1997 Series A, B, C, and D, 2001 Series 2003 and 2004, and 2008 Series A, with maturity dates from 2023 through 2034. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included in the long-term debt schedule was \$36,454,655 as of June 30, 2022.

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2022 amounted to \$259,919. This amount is included as part of long-term liabilities in the government-wide financial statements. Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

C. Other Postemployment Benefits

The District's beginning total OPEB liability was \$2,385,356 and decreased by \$119,034 during the year ended June 30, 2022. The ending total OPEB liability at June 30, 2022 was \$2,266,322. See Note 9 for additional information regarding the total OPEB liability.

D. Net Pension Liability

The District's beginning net pension liability was \$42,147,470 and decreased by \$20,497,471 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$21,649,999. See Note 10 for additional information regarding the net pension liability.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 - FUND BALANCES

Fund balances were composed of the following elements at June 30, 2022:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 11,000	\$ -	\$ -	\$ -	\$ 1,010	\$ 12,010
Prepaid expenditures	15,800	-	-	-	-	15,800
Total non-spendable	<u>26,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,010</u>	<u>27,810</u>
Restricted						
Educational programs	11,931,542	-	-	-	-	11,931,542
Capital projects	-	31,571,945	16,582,292	-	1,785,668	49,939,905
Deferred maintenance	-	-	-	-	1,594,481	1,594,481
Debt service	-	-	-	-	-	-
Child nutrition services	-	-	-	-	743,530	743,530
Student activity funds	-	-	-	-	89,197	89,197
Total restricted	<u>11,931,542</u>	<u>31,571,945</u>	<u>16,582,292</u>	<u>-</u>	<u>4,212,876</u>	<u>64,298,655</u>
Committed						
Stabilization arrangements	4,461,292	-	-	-	-	4,461,292
Total committed	<u>4,461,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,461,292</u>
Assigned						
	-	-	-	9,773,699	-	9,773,699
Unassigned						
Reserve for economic uncertainties	1,371,026	-	-	-	-	1,371,026
Unassigned	-	-	-	-	-	-
Total unassigned	<u>1,371,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,371,026</u>
Total	<u><u>\$ 17,790,660</u></u>	<u><u>\$ 31,571,945</u></u>	<u><u>\$ 16,582,292</u></u>	<u><u>\$ 9,773,699</u></u>	<u><u>\$ 4,213,886</u></u>	<u><u>\$ 79,932,482</u></u>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense (Income)</u>
District plan	\$ 2,065,668	\$ 1,148,971	\$ 826,231	\$ (536,968)
Medicare Premium Payment (MPP) program	200,654	-	-	(11,552)
Total	<u>\$ 2,266,322</u>	<u>\$ 1,148,971</u>	<u>\$ 826,231</u>	<u>\$ (548,520)</u>

The details of each plan are as follows:

A. District Plan

Plan Description

El Segundo Unified School District's Retiree Benefit OPEB plan, is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

Following is a description of the retiree benefit plan. Some retirees receive District-paid benefits under prior, grandfathered plans.

	<u>Certificated</u>
Benefit types provided	Medical and dental
Duration of Benefits	5 years but not beyond age 65
Required Service	10 years
Minimum Age	50
Dependent Coverage	Yes
District Contribution %	100%
District Cap	\$8,500 per year

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers' Association. For fiscal year 2021-22, the District contributed \$764,892 to the Plan, all of which was used for current premiums.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONT'D

A. District Plan - Cont'd

Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments*	-
Participating active employees	166
Total number of participants**	177

*Information not provided about any terminated, vested employees.

**As of the June 30, 2022 valuation date

Total OPEB Liability

The District's total OPEB liability of \$2,065,668 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Economic assumptions:

Inflation	2.50% per year.
Salary increases	2.75% per year.
Investment Return/ Discount rate	2.16% per year, net of expenses. This is based on the Bond Buyer 20 Bond Index.
Healthcare cost trend rates	4.00% per year.

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
Classified	2017 CalPERS Retiree Mortality for All Employees

Retirement rates:

	Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates
Certificated	Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates

The actuarial assumptions used in the June 30, 2022 valuation were based on a review of plan experience through June 30, 2022.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed twenty-three years.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONT'D

A. District Plan - Cont'd

Changes in Total OPEB Liability

	June 30, 2022
Total OPEB Liability	
Service Cost	\$ 213,804
Interest on total OPEB liability	48,778
Experience (Gains)/ Losses	44,735
Changes in assumptions	(159,679)
Benefits payments	(255,120)
Net change in total OPEB liability	(107,482)
Total OPEB liability - beginning	2,173,150
Total OPEB liability - ending	\$ 2,065,668
Covered-employee payroll	\$ 23,037,644
District's total OPEB liability as a percentage of covered-employee payroll	8.97 %

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

The following presents the total OPEB liability of El Segundo Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16 percent) or one percentage point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 2,219,612	\$ 2,065,668	\$ 1,919,128

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

The following presents the total OPEB liability of El Segundo Unified School 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 percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.0%)	Current Trend Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	\$ 1,818,716	\$ 2,065,668	\$ 2,362,182

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONT'D

A. District Plan - Cont'd

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense/ (income) of \$(536,968). At June 30, 2022, the District reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 182,282	\$ (632,885)
Changes in assumptions	201,797	(193,346)
District contributions subsequent to the measurement date	764,892	-
Total	\$ 1,148,971	\$ (826,231)

The \$764,892 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022.

The balances as of June 30, 2022 of the deferred outflows/ (inflows) of resources will be recognized in OPEB expense for the year ending June 30, as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (34,658)
2023	(34,658)
2024	(34,658)
2025	(34,658)
2026	(34,658)
Thereafter	(268,862)
Total	\$ (442,152)

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONT'D

B. 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, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. Members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2021, 5,096 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. 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 Liabilities and OPEB Expense

At June 30, 2022, the District reported a liability of \$200,654 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0503 percent, and 0.0501 percent, resulting in a net increase in the proportionate share of 0.0002 percent.

For the year ended June 30, 2022, the District recognized OPEB expense (income) of \$(11,552).

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONT'D

B. Medicare Premium Payment (MPP) Program - Cont'd

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2021, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total OPEB liability as of June 30, 2021, include:

Measurement date	June 30, 2021
Valuation date	June 30, 2020
Experience study	June 30, 2014 through June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	2.16%
Medicare Part A premium cost trend rate*	4.50%
Medicare Part B premium cost trend rate*	5.40%

* - The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year; however, the increases are approximately equivalent to a 4.5% and 5.4% increase each year for Medicare Part A and Part B, respectively.

Future Enrollment

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population of 152,062.

Mortality

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

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the California State Treasurer. 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, 2021, 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, 2021 was 2.16%, which is a decrease of 0.05% from 2.21% as of June 30, 2020.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONT'D

B. Medicare Premium Payment (MPP) Program - Cont'd

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

The following table presents the District's proportionate share of the net OPEB liability, 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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>	
1% decrease (1.16%)	\$	221,175
Current discount rate (2.16%)	\$	200,654
1% increase (3.16%)	\$	183,120

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

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

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>	
1% decrease (3.5% Part A and 4.4% Part B)	\$	182,471
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	\$	200,654
1% increase (5.5% Part A and 6.4% Part B)	\$	221,499

NOTE 10 - PENSION PLANS

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 (Casters) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2022, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense / (Income)</u>
STRS Pension	\$ 15,230,150	\$ 10,823,881	\$ 13,886,038	\$ (3,781,492)
PERS Pension	<u>6,419,849</u>	<u>1,411,101</u>	<u>3,170,325</u>	<u>(888,200)</u>
Total	<u>\$ 21,649,999</u>	<u>\$ 12,234,982</u>	<u>\$ 17,056,363</u>	<u>\$ (4,669,692)</u>

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

The details of each plan are as follows:

A. 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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
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	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

A. California State Teachers' Retirement System (CalSTRS) - Cont'd

Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively—provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021-22.

For the year ended June 30, 2022, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

	STRS	CalPERS
Contributions - employer	\$ 5,404,555	\$ 1,213,830

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	\$	15,230,150
State's proportionate share of the net pension liability associated with the District		7,663,381
Total	\$	22,893,531

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, was as follows:

Measurement Dates	Fiscal Year	CalSTRS
June 30, 2020	2020-21	0.0003304
June 30, 2020	2020-21	0.0003347
Change - Increase (Decrease)		0.0000043

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

A. California State Teachers' Retirement System (CalSTRS) - Cont'd

For the year ended June 30, 2022, the District recognized pension expense /(income) of \$(3,781,492). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,404,555	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	3,223,223	217,791
Net difference between projected and actual earnings on plan investments	-	12,047,441
Difference between expected and actual experiences	38,152	1,620,806
Changes of assumptions	2,157,951	-
Total	\$ 10,823,881	\$ 13,886,038

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Cont'd

The deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Total Deferred Outflows (Inflows) of Resources
2023	\$ (1,489,526)
2024	(1,099,123)
2025	(2,339,186)
2026	(3,220,272)
2027	(156,960)
Thereafter	(161,645)
Total	\$ (8,466,712)

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

A. California State Teachers' Retirement System (CalSTRS) - Cont'd

Actuarial Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. In determining the total pension liability, the financial reporting actuarial valuation, used the following methods and assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return*	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Postretirement benefit increases	2% simple for DB (annually) maintain 85% purchasing power level for DB, Not applicable for DBS/CBB

* - Net of investment expenses but gross of administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. 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 expenses occur midyear. Based on those 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 the total pension liability.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs to the process.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

A. California State Teachers' Retirement System (CalSTRS) - Cont'd

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return**</u>
Public equity	42.0 %	4.80 %
Real estate	15.0 %	3.60 %
Private equity	13.0 %	6.30 %
Fixed income	12.0 %	1.30 %
Risk mitigating strategies	10.0 %	1.80 %
Inflation sensitive	6.0 %	3.30 %
Cash/liquidity	2.0 %	(0.40)%

* - 20-year average

Mortality

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

Uses of assumptions and methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 31,003,470
Current discount rate (7.10%)	\$ 15,230,150
1% increase (8.10%)	\$ 2,139,209

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

B. 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, 2021 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, 2022, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
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
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.91%	20.91%

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

B. California Public Employees' Retirement System (CalPERS) - Cont'd

Contributions

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

The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$1,213,830.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,419,849. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, was a follows:

<u>Measurement Dates</u>	<u>Fiscal Year</u>	<u>CalPERS</u>
June 30, 2020	2020-21	0.000330
June 30, 2021	2021-22	0.000316
Change - Increase (Decrease)		<u>(0.000014)</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Cont'd

For the year ended June 30, 2022, the District recognized pension expense of \$(888,200). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,213,830	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	5,622	691,444
Difference between projected and actual earnings on pension plan investments	-	2,463,747
Difference between expected and actual experiences	191,649	15,134
Changes of assumptions	-	-
Total	<u>\$ 1,411,101</u>	<u>\$ 3,170,325</u>

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

B. California Public Employees' Retirement System (CalPERS) - Cont'd

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 of resources and deferred inflows of resources reported will be amortized in the proportionate share of pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2023	\$ (772,981)
2024	(758,315)
2025	(675,254)
2026	(766,504)
Total	\$ (2,973,054)

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with updated procedures used to roll forward the total pension liability to June 30, 2021.

The total pension liability was based on the following assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Investment rate of return	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table*	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

B. California Public Employees' Retirement System (CalPERS) - Cont'd

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

<u>Asset Class*</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10**</u>	<u>Real Return Years 11+***</u>
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00 %	1.00 %	2.62 %
Inflation assets	-	0.77 %	1.81 %
Private equity	8.00 %	6.30 %	7.23 %
Real estate	13.00 %	3.75 %	4.93 %
Liquidity	1.00 %	-	(0.92)%

* - Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

** - An expected inflation of 2.0% used for this period.

*** - An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the plan'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 plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 - PENSION PLANS - CONT'D

B. California Public Employees' Retirement System (CalPERS) - Cont'd

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 10,824,767
Current discount rate (7.15%)	\$ 6,419,849
1% increase (8.15%)	\$ 2,762,822

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan.

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and STRS annual comprehensive financial reports.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

B. Litigation

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

C. Construction Commitments

As of June 30, 2022, the District had \$16,082,954 in outstanding construction commitments with respect to unfinished capital projects.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2022, the deferred amount on refunding was \$162,576.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2022, total deferred outflows related to pensions was \$12,234,982 and total deferred inflows related to pensions was \$17,056,363.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources can be found at Note 9. At June 30, 2022, total deferred outflows related to other postemployment benefits was \$1,148,971 and total deferred inflows related to other postemployment benefits was \$826,231.

NOTE 13 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of two joint powers authorities (JPAs). The first is the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the other is the Southern California Regional Occupation Center (SCROC) to provide property and liability insurance for its member school districts. The relationship is such that the JPAs are not component units of the District for financial reporting purposes. Audited financial statements are available from the respective entities.

The City of El Segundo and El Segundo Unified School District have entered into an agreement governing the joint use of facilities, which expires in September 2012. The agreement has improved the quality of education, recreation and extracurricular activities for residents. The amended and restated Joint Use Agreement for Public Recreation Facilities is for a 10 year term, which expired in September 2022.

The City of El Segundo (the "City") and El Segundo Unified School District (the "District") have entered into a Facilities Use Agreement for the Plunge Swim Center. The City grants a license to use the facilities for conducting school related activities. The City shall not charge license fee for use of the Facilities; however, the District agrees to provide a financial contribution to the City's planned Facilities Renovation.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14 - INTERFUND BALANCES AND ACTIVITIES

Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2022, consisted of the following:

Transfer from Funds	Transfer to Funds	Amount
General Fund	Deferred Maintenance Fund	\$ <u>150,000</u>
		\$ <u><u>150,000</u></u>

NOTE 15 - SUBSEQUENT EVENTS

The District's management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2022 through December 05, 2022, at which the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance Final to Actual
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
LCFF sources	\$ 32,080,972	\$ 32,080,972	\$ 31,691,791	\$ (389,181)
Federal revenue	952,419	4,284,277	2,767,268	(1,517,009)
Other state revenue	4,380,492	5,366,339	6,538,560	1,172,221
Other local revenue	<u>4,494,772</u>	<u>4,494,454</u>	<u>5,583,595</u>	<u>1,089,141</u>
Total revenues	<u>41,908,655</u>	<u>46,226,042</u>	<u>46,581,214</u>	<u>355,172</u>
Expenditures:				
Certificated salaries	18,484,443	18,852,806	19,334,460	(481,654)
Classified salaries	6,996,279	7,197,959	6,781,801	416,158
Employee benefits	10,432,693	10,478,237	11,157,761	(679,524)
Books & supplies	1,388,756	3,059,332	1,625,152	1,434,180
Services and other operating expenditures	4,935,861	4,846,000	5,808,286	(962,286)
Capital outlay	40,000	2,308,822	441,317	1,867,505
Other outgo excluding transfers of indirect costs	<u>425,535</u>	<u>425,535</u>	<u>402,097</u>	<u>23,438</u>
Total expenditures	<u>42,703,567</u>	<u>47,168,691</u>	<u>45,550,874</u>	<u>1,617,817</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(794,912)</u>	<u>(942,649)</u>	<u>1,030,340</u>	<u>1,972,989</u>
Other Financing Sources/(Uses):				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total other financing sources/(uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balance	(944,912)	(1,092,649)	880,340	1,972,989
Fund balance - beginning of year	<u>16,910,320</u>	<u>16,910,320</u>	<u>16,910,320</u>	<u>-</u>
Fund balance - end of year	<u>\$ 15,965,408</u>	<u>\$ 15,817,671</u>	<u>\$ 17,790,660</u>	<u>\$ 1,972,989</u>

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability					
Service Cost	\$ 213,804	\$ 165,330	\$ 216,704	\$ 222,712	\$ 216,751
Interest on total OPEB liability	48,778	65,897	98,085	94,548	82,640
Changes of assumptions	(159,679)	199,552	32,994	(58,490)	-
Experience (Gains)/ Losses	44,735	160,151	(891,007)	-	-
Benefits payments	<u>(255,120)</u>	<u>(275,620)</u>	<u>(143,512)</u>	<u>(181,894)</u>	<u>(174,898)</u>
Net change in total OPEB liability	(107,482)	315,310	(686,736)	76,876	124,493
Total OPEB liability - beginning	<u>2,173,150</u>	<u>1,857,840</u>	<u>2,544,576</u>	<u>2,467,700</u>	<u>2,343,207</u>
Total OPEB liability - ending	<u><u>\$ 2,065,668</u></u>	<u><u>\$ 2,173,150</u></u>	<u><u>\$ 1,857,840</u></u>	<u><u>\$ 2,544,576</u></u>	<u><u>\$ 2,467,700</u></u>
Covered-employee payroll	\$ 23,037,644	\$ 15,649,814	\$ 9,778,771	\$ 13,564,083	\$ 12,988,779
District's total OPEB liability as a percentage of covered-employee payroll	8.97 %	13.89 %	19 %	19 %	19 %

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
District's proportion of the net OPEB liability	<u>0.0503 %</u>	<u>0.0501 %</u>	<u>0.0500 %</u>	<u>0.0480 %</u>
District's proportionate share of the net OPEB liability	<u>\$ 200,654</u>	<u>\$ 212,206</u>	<u>\$ 186,064</u>	<u>\$ 183,249</u>
District's covered-employee payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee 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	<u>0.80 %</u>	<u>0.71 %</u>	<u>0.81 %</u>	<u>0.01 %</u>

¹As 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 become available, ten years of information will be presented.

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2018</u>
District's proportion of the net OPEB liability	0.0493 %
District's proportionate share of the net OPEB liability	\$ 207,276
District's covered-employee payroll	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	0.01 %

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net pension liability	0.033%	0.033%	0.032%	0.030%	0.031%	0.031%
District's proportionate share of the net pension liability	\$ 15,230,150	\$ 32,019,937	\$ 29,196,614	\$ 27,980,206	\$ 28,627,636	\$ 24,857,306
State's proportionate share of the net pension liability associated with the District	<u>7,663,381</u>	<u>16,506,281</u>	<u>15,928,702</u>	<u>16,020,055</u>	<u>16,936,005</u>	<u>15,592,494</u>
Total	<u>\$ 22,893,531</u>	<u>\$ 48,526,218</u>	<u>\$ 45,125,316</u>	<u>\$ 44,000,261</u>	<u>\$ 45,563,641</u>	<u>\$ 40,449,800</u>
District's covered payroll	\$ 19,180,881	\$ 18,280,774	\$ 17,958,266	\$ 16,753,639	\$ 16,513,569	\$ 15,592,494
District's proportionate share of the net pension liability as a percentage of its covered payroll	79.40%	175.16%	162.58%	167.00%	173.40%	159.40%
Plan fiduciary net position as a percentage of the total pension liability	81.20%	71.80%	72.56%	71.00%	69.50%	70.00%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.031%	0.031%
District's proportionate share of the net pension liability	\$ 21,176,426	\$ 17,276,017
State's proportionate share of the net pension liability associated with the District	<u>14,657,736</u>	<u>10,432,004</u>
Total	<u>\$ 35,834,162</u>	<u>\$ 27,708,021</u>
District's covered payroll	\$ 14,657,736	\$ 13,167,661
District's proportionate share of the net pension liability as a percentage of its covered payroll	144.50%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	74.00%	76.50%

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2021</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net pension liability	0.032%	0.033%	0.034%	0.035%	0.037%	0.037%
District's proportionate share of the net pension liability	\$ 6,419,849	\$ 10,127,533	\$ 9,971,348	\$ 9,443,921	\$ 8,734,248	\$ 7,289,920
District's covered payroll	\$ 5,185,904	\$ 4,806,693	\$ 4,828,351	\$ 6,113,233	\$ 6,181,766	\$ 4,430,514
District's proportionate share of the net pension liability as a percentage of its covered payroll	123.8%	210.7%	206.5%	154.5%	141.3%	164.5%
Plan fiduciary net position as a percentage of the total pension liability	80.97%	70.00%	70.05%	70.8%	71.9%	73.9%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.035%	0.035%
District's proportionate share of the net pension liability	\$ 5,368,689	\$ 3,960,851
District's covered payroll	\$ 4,154,176	\$ 3,662,568
District's proportionate share of the net pension liability as a percentage of its covered payroll	129.2%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	79.4%	83.4%

See accompanying notes to required supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 5,404,555	\$ 2,910,942	\$ 3,059,747	\$ 2,840,084	\$ 2,394,492	\$ 2,076,159
Contributions in relation to the contractually required contribution*	<u>(5,404,555)</u>	<u>(2,910,942)</u>	<u>(3,059,747)</u>	<u>(2,840,084)</u>	<u>(2,394,492)</u>	<u>(2,076,159)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 19,180,881	 \$ 18,280,774	 \$ 17,958,266	 \$ 17,481,590	 \$ 16,753,639	 \$ 16,513,569
Contributions as a percentage of covered payroll	28.18%	15.92%	17.04%	16.25%	14.29%	12.57%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,676,168	\$ 1,301,607
Contributions in relation to the contractually required contribution*	<u>(1,676,168)</u>	<u>(1,301,607)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 15,592,494	 \$ 14,657,736
Contributions as a percentage of covered payroll	10.75%	8.88%

See accompanying notes to required supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 1,213,830	\$ 939,020	\$ 951,222	\$ 866,490	\$ 735,341	\$ 648,248
Contributions in relation to the contractually required contribution*	<u>(1,213,830)</u>	<u>(939,020)</u>	<u>(951,222)</u>	<u>(866,490)</u>	<u>(735,341)</u>	<u>(648,248)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,185,904	\$ 4,806,693	\$ 4,828,351	\$ 6,332,290	\$ 6,113,233	\$ 6,181,766
Contributions as a percentage of covered payroll	23.41%	19.54%	19.70%	13.68%	12.03%	10.49%

*Amounts do not include on-behalf contributions.

See accompanying notes to required supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 524,883	\$ 488,989
Contributions in relation to the contractually required contribution*	<u>(524,883)</u>	<u>(488,989)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,430,514	\$ 4,154,176
Contributions as a percentage of covered payroll	11.85%	11.77%

See accompanying notes to required supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for OPEB.

Changes in Assumptions

The discount rate has changed since the prior measurement date from 2.20% to 2.16%.

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

Changes in Benefits Terms

There were no changes in the benefits terms since the previous valuation.

Changes of Assumptions

The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - PURPOSE OF SCHEDULES - CONT'D

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

	<u>CalPERS</u>	<u>CalSTRS</u>
Valuation date	June 30, 2020	June 30, 2020
Measurement date	June 30, 2021	June 30, 2021
Actuarial cost method	Entry- Age Normal Cost	Entry- Age Normal Cost
Actuarial Assumptions:		
Discount rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll growth rate	2.75%	3.50%
Projected salary increases	Varies by entry age and service	Varies by entry age and service
Investment rate of return ¹	7.15%	7.10%
Mortality rate table	Derived using CalPERS' membership data for all funds	Derived using CalSTRS' membership data for all funds

¹ Net of pension plan investment expenses, including inflation.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<u>Expenditures and Other Uses</u>			
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Excess</u>
General Fund				
Certificated salaries	\$ 18,484,443	\$ 18,852,806	\$ 19,334,460	\$ (481,654)
Employee benefits	10,432,693	10,478,237	11,157,761	(679,524)
Services & other operating expenditures	4,935,861	4,846,000	5,808,286	(962,286)

SUPPLEMENTARY INFORMATION

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Education:			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 210,953
Title II, Part A, Supporting Effective Instruction	84.367	14341	39,744
Title III, English Learner Student Program	84.365	14346	15,262
Title III, Immigrant Education Program	84.365	15146	6,602
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	15396	32,128
Special Education Cluster			
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	95,477
ARP IDEA Part B, Sec 619, Preschool Grants	84.173	15639	8,117
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,620,390
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	44,917
IDEA Preschool Grants, Part B, Section 619	84.173	13430	53,693
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>109</u>
Subtotal Special Education Cluster			<u>1,822,703</u>
Education Stabilization Fund (ESF) Cluster			
Governor's Emergency Education Relief Fund (GEER) -			
Learning Loss Mitigation	84.425C	15517	121,618
Elementary and Secondary School Emergency Relief - ESSER I	84.425D	15536	114,557
Elementary and Secondary School Emergency Relief - ESSER II	84.425D	15547	120,764
Elementary and Secondary School Emergency Relief - ESSER III	84.425D	15620	280,216
Elementary and Secondary School Emergency Relief - ESSER III: Learning	84.425U	15621	429,114
Expanded Learning Opportunities (ELO) Grant : ESSER II State Reserve	84.425D	15618	<u>313,000</u>
Subtotal Education Stabilization Fund (ESF) Cluster			<u>1,379,269</u>
Total U.S. Department of Education			<u>3,506,661</u>
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	<u>1,142,022</u>
Subtotal Child Nutrition Cluster			<u>1,142,022</u>
Total U.S. Department of Agriculture			<u>1,142,022</u>
Total Federal Expenditures			<u><u>\$ 4,648,683</u></u>

See accompanying notes to supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
	<u> </u>	<u> </u>
TK/K through Third		
Regular ADA	847.03	847.03
Extended Year Special Education	11.53	11.53
Special Education - Nonpublic Schools	0.23	0.09
Extended Year Special Education - Nonpublic Schools	-	-
Total TK/K through Third	<u>858.79</u>	<u>858.65</u>
Fourth through Sixth		
Regular ADA	639.44	639.39
Extended Year Special Education	1.34	1.34
Special Education - Nonpublic Schools	0.88	0.81
Extended Year Special Education - Nonpublic Schools	<u>0.10</u>	<u>0.10</u>
Total Fourth through Sixth	<u>641.76</u>	<u>641.64</u>
Seventh through Eighth		
Regular ADA	505.54	505.54
Extended Year Special Education	1.73	1.73
Special Education - Nonpublic Schools		
Extended Year Special Education - Nonpublic Schools		
Total Seventh through Eighth	<u>507.27</u>	<u>507.27</u>
Ninth through Twelfth		
Regular ADA	1,279.36	1,279.21
Extended Year Special Education	0.71	0.71
Special Education - Nonpublic Schools	1.01	1.01
Extended Year Special Education - Nonpublic Schools	<u>0.41</u>	<u>0.41</u>
Total Ninth through Twelfth	<u>1,281.49</u>	<u>1,281.34</u>
Total	<u><u>3,289.31</u></u>	<u><u>3,288.90</u></u>

See accompanying notes to supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirement	2021-22 Actual Minutes	Number of Actual Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	Not Applicable	In Compliance
Grade 1	50,400	55,460	180	Not Applicable	In Compliance
Grade 2	50,400	55,460	180	Not Applicable	In Compliance
Grade 3	50,400	55,500	180	Not Applicable	In Compliance
Grade 4	54,000	55,500	180	Not Applicable	In Compliance
Grade 5	54,000	55,500	180	Not Applicable	In Compliance
Grade 6	54,000	62,024	180	Not Applicable	In Compliance
Grade 7	54,000	62,024	180	Not Applicable	In Compliance
Grade 8	54,000	62,024	180	Not Applicable	In Compliance
Grade 9	64800	64,806	180	Not Applicable	In Compliance
Grade 10	64800	64,806	180	Not Applicable	In Compliance
Grade 11	64800	64,806	180	Not Applicable	In Compliance
Grade 12	64800	64,806	180	Not Applicable	In Compliance

See accompanying notes to supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2023 (Budget)*</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General fund - budgetary basis**				
Revenues and other financial sources	\$ 44,892,630	\$ 46,581,214	\$ 43,416,151	\$ 41,468,660
Expenditures and other financing uses	46,808,718	45,700,874	40,520,718	39,353,827
Net change in fund balance	<u>(1,916,088)</u>	<u>880,340</u>	<u>2,895,433</u>	<u>2,114,833</u>
Ending fund balance	<u>\$ 15,874,572</u>	<u>\$ 17,790,660</u>	<u>\$ 16,910,320</u>	<u>\$ 14,014,887</u>
Available reserves**	<u>\$ 1,404,262</u>	<u>\$ 1,371,026</u>	<u>\$ 1,216,240</u>	<u>\$ 1,240,060</u>
Available reserves as a percentage of outgo	3.00 %	3.00 %	3.00 %	3.15 %
Long-term liabilities	\$ 136,016,591	\$ 141,622,321	\$ 166,078,983	\$ 127,911,019
Average daily attendance at P-2***	<u>3,318</u>	<u>3,289</u>	<u>3,334</u>	<u>3,289</u>

The General Fund balance has increased by \$3,775,773 over the past two years. The fiscal year 2022-23 budget projects a decrease of \$1,916,088. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District has incurred operating surpluses in the past three years but anticipates incurring an operating deficit during the 2022-23 fiscal year. Total long-term obligations have increased by \$13,711,302 over the past two years.

Average daily attendance has not changed over the past two years. Average daily attendance is anticipated to increase by 29 ADA during the 2022-23 fiscal year.

Note

* Budget 2023 is included for analytical purpose only and has not been subjected to audit.

** Available reserves consist of all unassigned fund balance within the General Fund.

*** In 2021, average daily attendance (ADA) was not collected due to COVID-19 provision where 2020 ADA was used for claiming apportionment purpose.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	Special Reserve Fund for Capital Outlay Projects	Self-Insurance Fund
June 30, 2022, annual financial and budget report fund balance/ net position	\$ 18,173,272	\$ 2,198,795
Adjustments and reclassifications:		
Change in total fund balances:		
Total OPEB liability	-	(2,266,322)
Deferred outflows of resources related to OPEB	-	1,148,971
Deferred inflows of resources related to OPEB	-	(826,231)
Fair value adjustment on special purpose investment	(1,590,980)	-
Net adjustments and reclassifications	(1,590,980)	(1,943,582)
June 30, 2022, audited financial statement fund balance/ net position	\$ 16,582,292	\$ 255,213

See accompanying notes to supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2022**

No charter schools are chartered by El Segundo Unified School District

<u>Charter Schools</u>	<u>Included in Audit?</u>
None	N/A

See accompanying notes to supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>Student Activity Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>
ASSETS					
Cash and investments	\$ 482,001	\$ 628,133	\$ 1,593,277	\$ 513,974	\$ 1,266,857
Accounts receivable	<u>-</u>	<u>213,435</u>	<u>3,960</u>	<u>1,367</u>	<u>3,470</u>
Total assets	<u>482,001</u>	<u>841,568</u>	<u>1,597,237</u>	<u>515,341</u>	<u>1,270,327</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	<u>392,804</u>	<u>97,028</u>	<u>2,756</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>392,804</u>	<u>97,028</u>	<u>2,756</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Nonspendable	-	1,010	-	-	-
Restricted	<u>89,197</u>	<u>743,530</u>	<u>1,594,481</u>	<u>515,341</u>	<u>1,270,327</u>
Total fund balances	<u>89,197</u>	<u>744,540</u>	<u>1,594,481</u>	<u>515,341</u>	<u>1,270,327</u>
Total liabilities and fund balance	<u>\$ 482,001</u>	<u>\$ 841,568</u>	<u>\$ 1,597,237</u>	<u>\$ 515,341</u>	<u>\$ 1,270,327</u>

See accompanying notes to supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>Nonmajor Governmental Funds</u>
ASSETS	
Cash and investments	\$ 4,484,242
Accounts receivable	<u>222,232</u>
Total assets	<u>4,706,474</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	<u>492,588</u>
Total liabilities	<u>492,588</u>
FUND BALANCES:	
Nonspendable	1,010
Restricted	<u>4,212,876</u>
Total fund balances	<u>4,213,886</u>
Total liabilities and fund balance	<u>\$ 4,706,474</u>

See accompanying notes to supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES:					
Federal sources	\$ -	\$ 1,608,408	\$ -	\$ -	\$ -
Other state sources	-	115,919	-	-	-
Other local sources	29,184	55,441	9,023	82,864	7,784
Total revenues	<u>29,184</u>	<u>1,779,768</u>	<u>9,023</u>	<u>82,864</u>	<u>7,784</u>
EXPENDITURES:					
Current					
Pupil services					
Food services	-	1,127,249	-	-	-
Plant services	-	14,773	-	-	-
Facilities acquisition and maintenance	-	-	77,429	7,610	-
Total expenditures	<u>-</u>	<u>1,142,022</u>	<u>77,429</u>	<u>7,610</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>29,184</u>	<u>637,746</u>	<u>(68,406)</u>	<u>75,254</u>	<u>7,784</u>
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	150,000	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>29,184</u>	<u>637,746</u>	<u>81,594</u>	<u>75,254</u>	<u>7,784</u>
Fund Balance - beginning of year	60,013	106,794	1,512,887	440,087	1,262,543
Change in accounting principle	-	-	-	-	-
Fund Balance - beginning of year, restated	<u>60,013</u>	<u>106,794</u>	<u>1,512,887</u>	<u>440,087</u>	<u>1,262,543</u>
Fund Balance - Ending	<u>\$ 89,197</u>	<u>\$ 744,540</u>	<u>\$ 1,594,481</u>	<u>\$ 515,341</u>	<u>\$ 1,270,327</u>

See accompanying notes to supplementary information.

EL SEGUNDO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Nonmajor Governmental Funds
REVENUES:	
Federal sources	\$ 1,608,408
Other state sources	115,919
Other local sources	184,296
Total revenues	1,908,623
EXPENDITURES:	
Current	
Pupil services	
Food services	1,127,249
Plant services	14,773
Facilities acquisition and maintenance	85,039
Total expenditures	1,227,061
Excess (deficiency) of revenues over expenditures	681,562
OTHER FINANCING SOURCES (USES):	
Transfer in	150,000
Total other financing sources (uses)	150,000
Net change in fund balance	831,562
Fund Balance - beginning of year	3,382,324
Change in accounting principle	-
Fund Balance - beginning of year, restated	3,382,324
Fund Balance - Ending	\$ 4,213,886

See accompanying notes to supplementary information.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2022**

The El Segundo Unified School District maintains a K-12 educational program. The District is located primarily within the boundaries of the City of El Segundo (Los Angeles County), California. The present unified district was formed in 1936 with the predecessor district being the El Segundo Elementary School District and the El Segundo High School District. There were no changes in the boundaries of the District during the current year. The District currently operates two elementary schools, one intermediate school and one high school. The District also maintains a continuation high school and a child development center.

The Board of Education and the District Administrators at June 30, 2022 were as follows:

GOVERNING BOARD

Member	Office	Term Expires
Tracey I. Miller-Zarneke	President	December 2022
Dieema A. Wheaton	Vice President	December 2024
Paulette B. Caudill	Clerk	December 2022
Emilee M. Layne	Member	December 2022
Michael D. Wagner	Member	December 2024

DISTRICT ADMINISTRATORS

Melissa Moore, Ed.D.
Superintendent

Marisa Janicek
Assistant Superintendent, Educational Services

Kimberlie Linz
Chief Business Officer

Melissa Gooden, Ed. D.
Executive Director, Human Resources

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the 10 percent de minimis indirect cost rate.

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

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 46208. District must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201. During the year ended June 30, 2022, the District participated in the Longer Day incentive funding program. As of June 30, 2022, the District had met its target funding.

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.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements - Nonmajor Funds

These statements provide information on the District's nonmajor funds.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITOR'S REPORT

**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
El Segundo Unified School District
El Segundo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of El Segundo Unified School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 05, 2022.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

San Diego, California
December 05, 2022

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

To the Governing Board
El Segundo Unified School District
El Segundo, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit.

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

- 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.

Harshmal & Company LLP

San Diego, California
December 05, 2022

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Governing Board
El Segundo Unified School District
El Segundo, California

Report on State Compliance

We have audited El Segundo Unified School District's (the "District") compliance with the types of compliance requirements as identified in the 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, prescribed in Title 5, California Code of Regulations, section 19810*, that could have a direct and material effect on each of the District's state programs for the fiscal year ended June 30, 2022, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, prescribed in Title 5, California Code of Regulations, section 19810*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2022. We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Procedures Performed

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

<u>Program Name</u>	<u>Procedures Performed</u>
Local Education Agencies other than Charter Schools	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	No
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
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Continuation Education because average daily attendance was not material. In addition, the District does not operate any Charter Schools, therefore, we did not perform procedures for Charter School Programs.

San Diego, California
December 05, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major programs:	

Assistance Listing
Number (ALN)

Name of Federal Program or Cluster

10.555	Child Nutrition Cluster
84.425	Education Stabilization Fund (ESF) Cluster

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

State Awards

Internal control over state programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for state programs:	Unmodified

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no findings related to the financial statements for the fiscal year ended June 30, 2022.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2022.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2022.

**EL SEGUNDO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no findings reported in prior year.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the El Segundo Unified School District (the “District”) in connection with the issuance of \$_____ of the District’s Election of 2018 General Obligation Bonds, Series C (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District dated March 28, 2023 (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 the District, 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” shall mean: (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” shall mean that certain official statement, dated _____, 2023, 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 2022-23 Fiscal Year, provide to each 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)(6) 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, 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: _____, 2023

EL SEGUNDO UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Official

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: EL SEGUNDO UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2018 General Obligation Bonds, Series C

Date of Issuance: _____, 2023

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: _____

EL SEGUNDO UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

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

The following information regarding the City of El Segundo (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, Bond Counsel, the Underwriter or the Municipal Advisor.

General

City of El Segundo. Located 14 miles southwest of downtown Los Angeles, the City of El Segundo is next to the City of Los Angeles International Airport. A general law city, it was incorporated on January 18, 1917. The City has a Council-Manager form of municipal government. The City Council appoints the City Manager, who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of a mayor and four council members elected biennially at large to four-year alternating terms. The defense industry, along with petroleum, has historically been the base of the local economy, and recently aerospace as well as bio-science and retail service segments have added to the local industrial growth.

Los Angeles County. Established by an act of the legislature of the State of California (the “State”) on February 18, 1850, the County is one of the original 27 counties of the State. With 4,061 square miles, the county borders 70 miles of coast on the Pacific Ocean. The County is home to 88 incorporated cities and many unincorporated areas. 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 sits the San Gabriel Mountains containing Angeles National Forest. Significant portions of the County are heavily urbanized. The County is a Charter County governed by a five-member elected Board of Supervisors, each of whom serves alternating 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
2014 through 2023
City of El Segundo, Los Angeles County and the State of California

<u>Year⁽¹⁾</u>	<u>City of El Segundo</u>	<u>Los Angeles County</u>	<u>State of California</u>
2014	16,914	10,078,942	38,556,731
2015	16,955	10,124,800	38,865,532
2016	16,942	10,150,386	39,103,587
2017	16,922	10,181,162	39,352,398
2018	16,865	10,192,593	39,519,535
2019	16,809	10,163,139	39,605,361
2020	17,298	10,014,009	39,538,223
2021	17,238	9,942,011	39,286,510
2022	17,042	9,834,503	39,078,674
2023	16,928	9,761,210	38,940,231

⁽¹⁾ As of January 1.

Source: 2014-19 (2010 Demographic Research Unit Benchmark); 2020-23 (2020 Demographic Research Unit Benchmark):
California Department of Finance for May 2023.

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Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years that statistics are currently available.

PER CAPITA PERSONAL INCOME
2012 through 2021
Los Angeles County, State of California, and United States

<u>Year</u>	<u>Los Angeles County</u>	<u>State of California</u>	<u>United States</u>
2012	\$48,502	\$48,121	\$44,548
2013	48,011	48,502	44,798
2014	50,789	51,266	46,887
2015	53,870	54,546	48,725
2016	55,568	56,560	49,613
2017	57,325	58,804	51,550
2018	59,617	61,508	53,786
2019	63,252	64,919	56,250
2020	68,541	70,647	59,765
2021	74,141	76,614	64,143

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: November 16, 2022 – new statistics for 2021; revised statistics for 2012-2020. All dollar estimates are in current dollars (not adjusted for inflation).

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

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Principal Employers

The following tables list the principal employers located in the City and the County.

**PRINCIPAL EMPLOYERS
2022
City of El Segundo**

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Boeing Satellite Systems	Manufacturing: Space Vehicles and Parts	12,440
Raytheon Space & Airborne Syst	Manufacturing: Space Vehicles and Parts	6,000
Northrop Grumman Corporation	Manufacturing: Space Vehicles and Parts	2,833
Aerospace Corporation	Manufacturing: Space Vehicles and Parts	2,783
Mattel Inc.	Manufacturing: Dolls, Toys, Games	1,660
Chevron Products Company/USA Inc.	Mining: Oil and Gas Extraction	1,143
Internet Brands Inc.	Services: Computer Related	653
Infineon Technologies Americas Corp (formerly International Rectifier)	Manufacturing: Communications Equipment	429
Karl Storz Endoscopy America Inc.	Manufacturing: Medical Goods	403
Big 5 Sporting Goods	Retail Trade: General Merchandise Stores	289

Source: City of El Segundo 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2022.

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**PRINCIPAL EMPLOYERS
2022
Los Angeles County**

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Cedars-Sinai Medical Center	Health Care Services	10,000+
Los Angeles County Sheriff	Government Services	10,000+
Los Angeles International Airport - LAX	Airports	10,000+
UCLA Community Based Learning	Junior Community College-Tech Institutes	10,000+
University of CA Los Angeles	Education Services	10,000+
Vision X	Call Centers	10,000+
AHMC Healthcare Inc.	Health Care Services	5,000-9,999
Kaiser Permanente Los Angeles	Health Care Services	5,000-9,999
LA County Office of Education	Educational Service-Business	5,000-9,999
LAC & USC Medical Center	Health Care Services	5,000-9,999
Long Beach City Hall	Government Services	5,000-9,999
Longshore Dispatch	Non-classified Establishments	5,000-9,999
Los Angeles Medical Center	Pathologists	5,000-9,999
Los Angeles Police Department	Police Departments	5,000-9,999
National Institutes of Health	Health Care Services	5,000-9,999
Six Flags	Amusement & Theme Parks	5,000-9,999
Sony Pictures Entertainment	Motion Picture Producers & Studios	5,000-9,999
Space Exploration Tech Corp.	Aerospace Industries (Manufacturer)	5,000-9,999
Twentieth Century Fox	Motion Picture Producers & Studios	5,000-9,999
University of CA Los Angeles	University-College Dept/Facility/Office	5,000-9,999
Walt Disney Co.	Motion Picture Producers & Studios	5,000-9,999
All Nations Church	Churches	1,000-4,999
California State University-Northridge	Education Services	1,000-4,999
Infineon Technologies America	Semiconductor (Manufacturer)	1,000-4,999
Live Nation	Entertainment	1,000-4,999
Security Industry Specialists	Security Systems Consultant	1,000-4,999
Water Garden Management	Office Building & Parks	1,000-4,999

Source: America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition. California Employment Development Department.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2017 through 2021 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2017 through 2021⁽¹⁾
City of El Segundo, Los Angeles County, State of California, and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)⁽³⁾</u>
<u>2017</u>				
City of El Segundo	9,700	9,300	400	3.9
Los Angeles County	5,109,800	4,864,100	245,700	4.8
State of California	19,173,800	18,246,800	927,000	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of El Segundo	9,500	9,000	500	5.4
Los Angeles County	5,119,800	4,882,300	237,500	4.6
State of California	19,263,900	18,442,400	821,500	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of El Segundo	9,800	9,300	500	4.7
Los Angeles County	5,151,500	4,920,800	230,700	4.5
State of California	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of El Segundo	9,400	8,300	1,200	12.6
Los Angeles County	4,960,300	4,350,500	609,800	12.3
State of California	18,821,200	16,913,100	1,908,100	10.0
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of El Segundo	9,500	8,600	900	9.1
Los Angeles County	4,993,500	4,547,600	445,900	8.9
State of California	19,041,000	18,127,700	913,300	4.8
United States	161,204,000	152,581,000	8,623,000	5.3

Note: Data is not seasonally adjusted.

⁽¹⁾ Annual averages, unless otherwise specified.

⁽²⁾ Includes persons involved in labor-management trade disputes.

⁽³⁾ The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2021 Benchmark.

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 may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

**INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2018 through 2022
Los Angeles County (Los Angeles-Long Beach-Glendale Metropolitan Division)**

<u>Category</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Farm	4,700	4,400	4,400	4,600	4,900
Total Nonfarm	4,516,200	4,561,800	4,167,300	4,304,300	4,538,500
Total Private	3,925,600	3,974,900	3,597,100	3,744,100	3,970,100
Goods Producing	491,300	493,000	463,700	463,800	474,300
Mining and Logging	2,000	2,000	1,700	1,600	1,600
Construction	146,300	149,900	146,600	149,000	150,900
Manufacturing	343,000	341,200	315,400	313,100	321,800
Durable Goods	200,200	201,800	190,300	186,000	189,600
Nondurable Goods	142,800	139,500	125,100	127,100	132,200
Service Providing	4,024,900	4,068,800	3,703,600	3,840,500	4,064,200
Private Service Providing	3,434,300	3,481,900	3,133,400	3,280,300	3,495,800
Trade, Transportation & Utilities	849,300	848,600	784,600	814,000	837,400
Wholesale Trade	224,500	221,900	201,100	202,600	204,800
Retail Trade	421,000	413,600	375,700	396,100	407,300
Transportation, Warehousing & Utilities	203,800	213,100	207,900	215,200	225,300
Information	215,000	215,600	191,100	208,800	235,200
Financial Activities	223,800	224,300	213,200	213,200	215,900
Professional & Business Services	632,800	647,600	600,200	630,100	668,900
Private Education & Health Services	818,000	840,100	821,700	844,400	873,600
Leisure & Hospitality	536,600	547,300	393,700	434,200	511,300
Other Services	158,900	158,400	128,800	135,700	153,500
Government	<u>590,600</u>	<u>586,900</u>	<u>570,200</u>	<u>560,200</u>	<u>568,500</u>
Total, All Industries	<u>4,520,900</u>	<u>4,566,200</u>	<u>4,171,700</u>	<u>4,308,900</u>	<u>4,543,400</u>

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2022 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2018 through 2022 are shown in the following tables.

**ANNUAL TAXABLE SALES
2018 through 2022
City of El Segundo
(Dollars in Thousands)**

<u>Year</u>	Total Retail and Food Services: <u>Permits</u>	Retail and Food Services: Taxable <u>Transactions</u>	Total All Outlets: <u>Permits</u>	Total All Outlets: Taxable <u>Transactions</u>
2018	703	\$605,218	1,372	\$1,005,520
2019	719	614,207	1,410	1,027,732
2020	777	546,982	1,537	883,794
2021	723	669,042	1,412	999,734
2022	719	818,609	1,408	1,244,851

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

**ANNUAL TAXABLE SALES
2018 through 2022
Los Angeles County
(Dollars in Thousands)**

<u>Year</u>	Total Retail and Food Services: <u>Permits</u>	Retail and Food Services: Taxable <u>Transactions</u>	Total All Outlets: <u>Permits</u>	Total All Outlets: Taxable <u>Transactions</u>
2018	200,603	\$119,145,053	328,047	\$166,023,795
2019	206,732	122,444,678	342,359	172,313,602
2020	226,643	113,415,974	376,990	157,737,984
2021	208,412	139,000,373	349,061	192,524,203
2022	210,441	150,109,069	354,092	212,780,820

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 years 2018 through 2022 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS 2018 through 2022 City of El Segundo (Dollars in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$12,264	\$14,925	\$11,755	\$10,618	\$29,235
Non-Residential	<u>134,061</u>	<u>214,321</u>	<u>44,198</u>	<u>52,588</u>	<u>52,588</u>
Total	\$146,325	\$229,246	\$55,953	\$63,206	\$81,823
Units					
Single Family	14	13	21	16	27
Multiple Family	<u>0</u>	<u>6</u>	<u>4</u>	<u>9</u>	<u>13</u>
Total	14	19	25	25	40

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS 2018 through 2022 Los Angeles County (Dollars in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$7,441,001	\$6,554,316	\$5,678,400	\$6,020,503	\$7,126,963
Non-Residential	<u>6,694,097</u>	<u>6,589,602</u>	<u>3,513,049</u>	<u>1,863,348</u>	<u>1,863,348</u>
Total	\$14,135,098	\$13,143,918	\$9,191,449	\$7,883,851	\$8,990,311
Units					
Single Family	6,070	5,738	6,198	7,327	8,301
Multiple Family	<u>17,152</u>	<u>15,884</u>	<u>14,056</u>	<u>16,718</u>	<u>18,912</u>
Total	23,222	21,622	20,254	24,045	27,213

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

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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 and Tax Collector of the County (the “Treasurer”), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. None of the District, the Municipal Advisor or 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, none of the District, the Municipal Advisor or 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 (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (Treasury Pool). As of March 31, 2023, 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:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$22.073
Schools and Community Colleges	25.896
Discretionary Participants	<u>3.505</u>
Total	<u>\$51.474</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	93.19%
Discretionary Participants:	
Independent Public Agencies	6.64%
County Bond Proceeds and Repayment Funds	<u>0.17%</u>
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 March 21, 2023, 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 (the Investment Report) 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 Investment Report dated April 30, 2023, the March 31, 2023 book value of the Treasury Pool was approximately \$51.474 billion, and the corresponding market value was approximately \$49.025 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 March 31, 2023:

<u>Type of Investment</u>	<u>% of Pool</u>
Certificates of Deposit	4.18
U.S. Government and Agency Obligations	67.09
Bank Acceptances	0.00
Commercial Paper	28.65
Municipal Obligations	0.06
Corporate Notes & Deposit Notes	0.02
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	<u>0.00</u>
	100.00

The Treasury Pool is highly liquid. As of March 31, 2023, approximately 34.62% of the investments mature within 60 days, with an average of 794 days to maturity for the entire portfolio.

TreasPool Update
03/31/2023

