



Financial Audit  
Building Fund (Measure LL)  
June 30, 2022

# Vista Unified School District



## Independent Auditor's Report

Governing Board and  
Citizens Oversight Committee  
Vista Unified School District  
Vista, California

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Building Fund (Measure LL) of the Vista Unified School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure LL) of the District, as of June 30, 2022, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Building Fund (Measure LL) are intended to present the financial position and the change in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2022, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023 on our consideration of the Building Fund (Measure LL) 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 Building Fund (Measure LL) 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 Building Fund (Measure LL) of the District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California  
April 24, 2023

Vista Unified School District  
Building Fund (Measure LL)  
Balance Sheet  
June 30, 2022

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Assets	
Investments	\$ 158,196,050
Receivables	231,766
Due from other funds	<u>1,273</u>
Total assets	<u><u>\$ 158,429,089</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 8,925,299
Due to other funds	<u>1,610</u>
Total liabilities	<u>8,926,909</u>
Fund Balance	
Restricted for capital projects	<u>149,502,180</u>
Total liabilities and fund balance	<u><u>\$ 158,429,089</u></u>

Vista Unified School District  
 Building Fund (Measure LL)  
 Statement of Revenues, Expenditures, and Change in Fund Balance  
 Year Ended June 30, 2022

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Revenues	
Interest income	\$ 333,446
Change in FMV of investments	<u>(4,007,779)</u>
Total revenues	<u>(3,674,333)</u>
Expenditures	
Salaries and benefits	188,787
Services	
Professional/Consulting Services and Operating Expenditures	10,750
Capital outlay	
Land	36,823
Land improvements	744,522
Buildings and improvements to buildings	<u>20,403,457</u>
Total expenditures	<u>21,384,339</u>
Deficiency of Revenues over Expenditures	<u>(25,058,672)</u>
Other Financing Uses	
Other Sources - Proceeds from Bond Issuance	<u>137,967,000</u>
Net Change in Fund Balance	112,908,328
Fund Balance - Beginning	<u>36,593,852</u>
Fund Balance - Ending	<u><u>\$ 149,502,180</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Vista Unified School District's (the District) Building Fund (Measure LL) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

### **Financial Reporting Entity**

The financial statements include only the Building Fund of the District used to account for Measure LL projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure LL. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

### **Fund Accounting**

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

### **Basis of Accounting**

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### **Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

## **Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid, and all outstanding encumbrances lapse at June 30.

## **Fund Balance - Building Fund (Measure LL)**

As of June 30, 2022, the fund balance is classified as follows:

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

## **Spending Order Policy**

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

## **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2 - Investments**

### **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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**Investment in County Treasury**

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

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the San Diego County Treasury Investment Pool. The District maintains a Building Fund (Measure LL) investment of \$158,215,590 with the San Diego County Treasury Investment Pool, with an average maturity of 551 days.

**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 investment in the San Diego County Treasury Investment Pool have been rated AAf by Standard and Poor’s Investors Service as of June 30, 2022.

**Note 3 - Interfund Transactions**

**Interfund Receivable/Payable (Due to/Due From)**

A balance of \$1,202 due to the General Fund from the Building Fund resulted from an adjustment to OPEB.

A balance of \$408 due to the Self Insurance Fund from the Building Fund resulted from workers' compensation and other postemployment benefits charged.

The balance of \$1,273 due to the Building Fund from the General Fund resulted from reimbursement of capital outlay expenditures.

**Note 4 - Receivables**

Receivables at June 30, 2022, consisted of the following:

Interest	\$ 231,766
	<u>231,766</u>

**Note 5 - Accounts Payable**

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

Salaries and benefits	\$ 2,761
Supplies	964
Services	2,300
Capital outlay	<u>8,919,274</u>
Total	<u>\$ 8,925,299</u>

**Note 6 - Commitments and Contingencies**

As of June 30, 2022, the Building Fund (Measure LL) had the following commitments with respect to unfinished projects:

Measure LL Projects	Remaining Construction Commitment	Expected Date of Completion
Rancho Minerva Middle School - R.Minerva Shade Improvements	\$ 1,678,515	August 1, 2022
Vista Magnet Middle School - Facade Improvement	77,238	January 1, 2023
Rancho Buena Vista High School - CTE Classrooms	10,871,508	August 1, 2023
Vista High School - New Classrooms	47,124,813	August 1, 2023
Beaumont Elementary School - Replace/Demo Relocatable Classrooms	309,682	December 1, 2023
Bobier Elementary School - Replace/Demo Relocatable Classrooms	1,156,785	January 1, 2025
	<u>1,156,785</u>	
Total	<u>\$ 61,218,541</u>	

**Litigation**

The District is not currently a party to any legal proceedings related to the Building Fund (Measure LL) as of June 30, 2022.



Independent Auditor's Report  
June 30, 2022

**Vista Unified School District**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Governing Board and  
Citizens Oversight Committee  
Vista Unified School District  
Vista, 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 Building Fund (Measure LL) of the Vista Unified School District (the District) as of and for the year ended June 30, 2022, and the related notes of the financial statements, and have issued our report thereon dated April 24, 2023.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Building Fund specific to Measure LL are intended to present the financial position and the change in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2022, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure LL) 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses, as item 2022-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

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

### **The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Rancho Cucamonga, California  
April 24, 2023

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Controls

**2022-001      30000 – Internal Control Over Financial Reporting (Material Weakness)**

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries necessary to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified certain material misstatements of balances within the District’s 2021-2022 unaudited actuals financial report. The fair market value (FMV) adjustment to the cash in county in the amount of \$4,007,779 was not recorded. In addition, an error in posting the year-end accrual for interest resulted in a misstatement of \$32,844.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District’s year-end financial statements.

Effect

Due to the condition identified, the District’s Building Fund (Measure LL) was overstated by \$3,974,935. The net effect of these errors resulted in misstatements that were not detected or prevented by the District’s internal accounting control and review process.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through review of available District records related to the financial account balances in the Building Fund (Measure LL).

Repeat Finding

No.

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan and Views of Responsible Officials

Staff is aware of this year-end closing requirement. The new requirement of adjusting the FMV of cash in county was missed by staff during the closing of the books. Staff has noted this and will make the necessary entries in the future.

There were no audit findings reported in the prior year's Schedule of Financial Statement Findings.