

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
INTRODUCTION**

The Vista Unified School District was organized in 1936 under the laws of the State of California. The District is located in Vista, California and operates under a locally elected five member board form of government and provides educational services to grades kindergarten to twelve as mandated by State and/or Federal agencies. The District operates fourteen elementary schools, three middle schools, two high schools, three alternative education schools, five magnet schools, two special education schools, and an adult school.

On November 6, 2018 the District approved the issuance and sale of \$247 million in general obligation bonds to repair, upgrade, equip classrooms, science labs, local school facilities supporting college readiness, career preparation, math, science, engineering, technology, skilled trades; repair aging classrooms/schools including deteriorating roofs, plumbing, electrical, and improve student safety/security, pursuant to the 2018 Election Measure LL guidelines.

On May 23, 2019 the District issued \$56,500,000 of 2019 Series A, General Obligation Bond proceeds under the 2018 Measure LL election. Principal amounts accrue interest at rates from 3.00%-5.00% and the bonds are scheduled to mature through August 2048.

Measure LL Bonds are Proposition 39 bonds, issued by the Vista Unified School District. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on specific projects listed as well an annual independent financial audit of the proceeds from the sale of the bonds until all the proceeds have been expended for facilities projects.

Upon the passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000) was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond proposition pursuant to the 55% majority authorized in Proposition 39 including the formation, composition, and purpose of the Citizens' Bond Oversight Committee and authorization for injunctive relief against the improper expenditure of bond revenues.

The Vista Unified School District Citizens' Bond Oversight Committee consists of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Linda Latimer	Chair-Parent or Guardian	April 2021
John Aguilera	Vice Chair-Business Organization Member	April 2021
Charles Basso	Member-Parent or Guardian	April 2021
Garth Hall	Member-Senior Citizens Organization	April 2021
Michael Large	Member-Parent or Guardian	April 2020
Lindsay Richey	Member-Parent or Guardian/PTA Member	April 2021
Luisa Stafford	Member-Parent or Guardian/PTA Member	April 2020
Michael Hunsaker	Member-Member SD Taxpayers Association	April 2021
Heather Emaus	Member-Parent or Guardian	April 2020

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Bond Oversight Committee
Vista Unified School District
Vista, California**

Report on Financial Statements

We have audited the accompanying financial statements of the Measure LL Building Fund of Vista Unified School District, which comprise the balance sheet as of June 30, 2019, and the related statements of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

As discussed in Note B, the financial statements present only the Measure LL Building Fund which is specific to Proposition 39 and is not intended to fairly present the financial position and results of Vista Unified School District operations as a whole in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Measure LL Building Fund of Vista Unified School District as of June 30, 2019, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 March 10, 2020 on our consideration of Vista Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vista Unified School District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated March 10, 2020 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Measure LL Building Fund. That report is an integral part of our audit of the District's Measure LL Building Fund for the fiscal year ended June 30, 2019 and should be considered in assessing the results of our financial audit.

William Stanley King & Co., LLP

El Cajon, California
March 10, 2020

**Vista Unified School District
General Obligation Bonds
Measure LL Building Fund
Management's Discussion and Analysis
June 30, 2019
(Unaudited)**

This section of Vista Unified School District's (District) annual financial report presents management's discussion and analysis of the District's Measure LL bond performance during the year ending June 30, 2019. The management's discussion and analysis is required as a new element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The District's financial statements follow this section.

Financial Highlights

- Voter approval of Measure LL authorized the District to issue and sell up to \$247,000,000 in General Obligation Bonds.
- In May 2019, the District issued \$56,500,000 2018 Election, Series A, General Obligation Bonds.
- Bonds were sold at a premium, resulting in additional cash available for projects of \$4,922,699.
- A Citizens' Bond Oversight Committee is actively engaged in the review of projects and the use of bond proceeds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the VUSD's basic financial statements. The basic financial statements comprise three components: 1) management discussion and analysis, 2) the financial statements, and 3) the performance audit required by state law.

Financial Analysis of Measure LL Fund

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The District's Measure LL funding was temporarily held by the State School Building Fund of the San Diego County Treasury before transfer to the District's Building Fund (21-29) in July 2019 for purposes associated only with the bond authorization approved by the voters. The funds are to be used for the acquisition, construction, furnishing and equipping of District facilities.

Based on voter preference and Board authorization, projects were grouped into 6 different categories and prioritized into 5 phases in order to utilize the full authorized \$247,000,000 of general obligation bonds in smaller allotments over a ten year period.

**Vista Unified School District
General Obligation Bonds
Measure LL Building Fund
Management's Discussion and Analysis
June 30, 2019
(Unaudited)**

Due to the first year of reporting in 2018-19, prior year financial data was not applicable for the 2017-18 fiscal year. Comparison of Measure LL Building Fund Financial Data for 2017-18 and 2018-19 is as follows:

Balance Sheet	2017-2018	2018-2019	% Change
Cash in County Treasury			- %
Accounts Receivable		94,183	- %
Due from State School Building Fund		56,320,000	- %
Total Assets	-	56,414,183	- %
Accounts Payable		1,058,027	- %
Due to General Fund		4,216	- %
Due to Capital Facilities Fund		50,333	- %
Due to Special Reserve Fund		20,413	- %
Total Liabilities	-	1,132,989	- %
Total Fund Balance	-	55,281,194	- %

The accounts receivable represents interest earned on the cash held by the San Diego Treasurer.

Cash attributed to Measure LL Building Fund from bond proceeds was inadvertently deposited into the State School Building Fund. In July 2019, the funds were transferred to the Vista Unified School District Building Fund (21-39). The Vista School District Building Fund monies are also held by the San Diego County Treasury.

**Vista Unified School District
General Obligation Bonds
Measure LL Building Fund
Management's Discussion and Analysis
June 30, 2019
(Unaudited)**

Statement of Revenues, Expenditures, and Changes in Fund Balance	2017-2018	2018-2019	% Change
Revenues:			
Interest Income		94,184	- %
Total Revenues	-	94,184	- %
Expenditures			
Bond Issuance Costs		434,250	- %
Capital Outlay:			
Appraisal and Survey Costs		30,938	- %
Architect Fees		400,052	- %
Permanent Construction		465,853	- %
Construction Manager Fees		181,335	- %
Software		36,250	- %
Other Construction Costs		18,562	- %
Total Expenditures	-	1,567,240	- %
Other Financing Sources (Uses)			
Proceeds From Sale of Bonds		56,500,000	- %
Bond Premium		4,922,699	- %
Deposit to Debt Service Fund		(4,668,449)	- %
Total Other Financing Sources (Uses)	-	56,754,250	- %
Net Change In Fund Balance	-	55,281,194	- %
Net Fund Balance, Beginning of Year	-	-	- %
Net Fund Balance, End of Year	-	55,281,194	- %

The bond sale transaction from May 2019 is fully reflected with the proceeds, premium received, establishment of sinking fund, and recognition of bond issuance costs. The net bond transaction cash available for applicable projects is \$56,320,000. Additional interest earned of \$94,184 is recorded as well as \$1,132,990 in initial project costs.

**Vista Unified School District
General Obligation Bonds
Measure LL Building Fund
Management's Discussion and Analysis
June 30, 2019
(Unaudited)**

The total expenditures have been incurred towards the capital project list, as follows:

Capital Project	Costs Incurred	Remaining Construction Commitment
Beaumont Elementary - Replace Relocatable Classrooms	39,869	8,413,381
Bobier Elementary - Replace Relocatable Classrooms	83,954	7,855,796
California Avenue School - Restrooms	12,259	2,057,497
Casita Elementary - Restrooms	20,160	2,322,440
Mission Vista High School - Public Access Ramp	178,947	1,543,553
Rancho Buena Vista - Girls Softball Field	47,861	950,645
Rancho Buena Vista - Gym Expansion	27,991	1,257,502
Rancho Minerva - Landscaping and Fence	16,367	1,150,383
Vista Academy - Fire Alarm Upgrade	416,571	823,629
Vista High School - New Classrooms	128,175	45,785,230
Vista High School - Girls Softball Field	55,000	3,371,825
Vista Magnet Middle School - Pool Upgrade	40,485	1,900,734
Lake Elementary - Pathway	-	1,700,000
Vista Magnet Middle School - Front Entry	8,781	176,325
Vista Innovation - Drinking Fountains	-	137,800
Rancho Buena Vista Classrooms (Phase II)	7,120	-
Bond Consultants	13,200	-
Accountability Software	36,250	-
	1,132,990	79,446,740

No projects were completed as of June 30, 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to determine the District's accountability for the money it receives. Additional financial information can be obtained by contacting the following:

Ami Shackelford, Assistant Superintendent-Business Services
Vista Unified School District
1234 Arcadia Avenue
Vista, CA 92084

FINANCIAL STATEMENTS

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
BALANCE SHEET
JUNE 30, 2019**

ASSETS

Current Assets

Cash in County Treasury	\$ -
Accounts Receivable	94,183
Due from State School Building Fund	56,320,000
Total Current Assets	<u>56,414,183</u>

TOTAL ASSETS \$ 56,414,183

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts Payable	\$ 1,058,027
Due to General Fund	4,216
Due to Capital Facilities Fund	50,333
Due to Special Reserve Fund	20,413
Total Current Liabilities	<u>1,132,989</u>

TOTAL LIABILITIES 1,132,989

Fund Balance

Restricted for Capital Projects	<u>55,281,194</u>
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TOTAL LIABILITIES AND FUND BALANCE \$ 56,414,183

The accompanying notes to the financial statements are an integral part of this statement.

**VISTA UNIFIED SCHOOL DISTRICT
 MEASURE LL BUILDING FUND
 GENERAL OBLIGATION BONDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2019**

REVENUES	
Interest Income	<u>\$ 94,184</u>
TOTAL REVENUES	94,184
EXPENDITURES	
Bond Issuance Costs	434,250
Capital Outlay:	
Appraisal and Survey Costs	30,938
Architect Fees	400,052
Pemanent Construction	465,853
Construction Manager Fees	181,335
Equipment	36,250
Other Construction Costs	<u>18,562</u>
TOTAL EXPENDITURES	<u>1,567,240</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(1,473,056)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds From Sale of Bonds	56,500,000
Bond Premium	4,922,699
Deposit to Debt Service Fund	<u>(4,668,449)</u>
TOTAL OTHER FINANCING SOURCES (USES)	56,754,250
NET CHANGE IN FUND BALANCE	<u>55,281,194</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 55,281,194</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

A. Definition of the Fund

The Measure LL Building Fund, one of the Building Funds of the Vista Unified School District (the District), was activated to account for expenditures of General Obligation Bond proceeds issued under the General Obligation Bond Election of 2018, for addressing critical facilities needs and for school site modernization.

B. Summary of Significant Accounting Policies

Basis of Presentation

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 the 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)

Fund Structure

The accompanying financial statements are used to account for the transactions of the Measure LL Building Fund specific to Measure LL as defined in Note A and are not intended to fairly present the financial position and results of operations of the Vista Unified School District as a whole in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Measure LL Building Fund is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received, or services rendered).

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees 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 at June 30 since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the San Diego County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2019 the District's Measure LL Building Fund did not have any deferred inflows or deferred outflows of resources.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

C. Cash and Investments

1. Cash in County Treasury

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2019 cash attributed to Measure LL Building Fund from bond proceeds was inadvertently deposited into the State School Building Fund. As a result, a due from the State School Building Fund was established in the amount of \$56,320,000 to recognize the cash from bond proceeds attributed to the Measure LL Building Fund. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the 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.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise; or an academic background in public finance. In addition, the County Treasury is audited annually by an independent auditor.

2. *Analysis of Specific Deposit and Investment Risks*

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. *Credit Risk*

Credit risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the District's Measure LL Building Fund was not exposed to credit risk.

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held either by the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District's Measure LL Building Fund was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District's Measure LL Building Fund was not exposed to concentration of credit risk.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

d. Interest Rate Risk

This is the risk that changes in 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's Measure LL Building Fund manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Measure LL Building Fund was not exposed to foreign currency risk.

f. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless, has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code of the District's investment policy.

<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 Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Accounts Receivable

As of June 30, 2019 accounts receivable consisted of:

	<u>Accounts Receivable</u>
Interest Receivable	<u>\$ 94,183</u>
Total Accounts Receivable	<u><u>\$ 94,183</u></u>

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

E. Accounts Payable

As of June 30, 2019 accounts payable consisted of:

	Accounts Payable
Vendor Payables	\$ 1,058,027
Total Accounts Payable	\$ 1,058,027

F. Interfund Balances and Activities

Balances due to and due from other funds at June 30, 2019 consisted of the following:

Description	Amount	Purpose
Due from State School Building Fund	\$ 56,320,000	Transfer of bond proceeds deposited to incorrect fund.

Description	Amount	Purpose
Due to General Fund	\$ 4,216	Reimbursement of vendor expenses incurred.
Due to Capital Facilities Fund	50,333	Reimbursement of vendor expenses incurred.
Due to Special Reserve Fund	20,413	Reimbursement of vendor expenses incurred.
Total	\$ 74,962	

G. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the effective interest rate method.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

The following bonds were issued at a premium resulting in an effective interest rate as follows:

	2018 Series A Bonds
Total Interest Payments on Bonds	\$ 35,486,284
Less Bond Premium	<u>(4,922,699)</u>
Net Interest Payments	<u>\$ 30,563,585</u>
Par Amount of Bonds	\$ 56,500,000
Periods	30
Effective Interest Rate	1.80%

H. Long-Term Debt

The outstanding bonded debt as of June 30, 2019 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amount Outstanding 7/01/18	Issued Current Year	Redeemed Current Year	Amount Outstanding 6/30/2019
05/23/19	3.00-5.00%	08/01/48	\$ -	\$ 56,500,000	\$ -	\$ 56,500,000
05/23/19	Premium	08/01/48	<u>-</u>	<u>4,922,699</u>	<u>-</u>	<u>4,922,699</u>
Totals			<u>\$ -</u>	<u>\$ 61,422,699</u>	<u>\$ -</u>	<u>\$ 61,422,699</u>

In May 2019, the District issued \$56,500,000 2018 Election, Series A, General Obligation Bonds in order to finance the acquisition, construction, furnishing and equipping of District facilities. The issue consisted of \$30,945,000 in current interest bonds with interest rates of 3.00-5.00% with annual maturities from August 2020 through August 2039, \$11,820,000 in term bonds with an interest rate of 4.00% with annual maturities from August 2040 through August 2044, and \$13,735,000 in term bonds with an interest rate of 4.00% with annual maturities from August 2045 through August 2048. Principal payments on the bonds are due August 1 of each year beginning August 1, 2020 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2019. Total proceeds of \$56,500,000 with additional premium of \$4,922,699 resulted in \$56,320,000 deposited into the Building Fund after issuance costs of \$434,250 while remaining funds of \$4,668,449 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Debt service requirements on the general obligation bonds as of June 30, 2019 is as follows:

Year Ended June 30,	Principal	Interest	Total	Premium
2020	\$ -	\$ 340,984	\$ 340,984	\$ -
2021	6,255,000	2,231,900	8,486,900	544,943
2022	6,625,000	2,044,250	8,669,250	576,940
2023	5,145,000	1,779,250	6,924,250	447,966
2024	-	1,522,000	1,522,000	-
2025-2029	735,000	7,593,750	8,328,750	63,995
2030-2034	3,595,000	7,122,250	10,717,250	313,084
2035-2039	6,790,000	6,099,100	12,889,100	591,216
2040-2044	10,825,000	4,663,800	15,488,800	942,697
2045-2049	16,530,000	2,089,000	18,619,000	1,441,858
Totals	<u>\$ 56,500,000</u>	<u>\$ 35,486,284</u>	<u>\$ 91,986,284</u>	<u>\$ 4,922,699</u>

I. Construction Commitments

As of June 30, 2019, the District's Measure LL Bond Building Fund had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	*Expected Date of Final Completion
Beaumont Elementary - Replace Relocatable Classrooms	\$ 8,413,381	07/31/21
Bobier Elementary - Replace Relocatable Classrooms	7,855,796	07/31/21
California Avenue School - Restrooms	2,057,497	01/10/21
Casita Elementary - Restrooms	2,322,440	04/15/21
Mission Vista High School - Public Access Ramp	1,543,553	09/15/19
Rancho Beuna Vista - Girls Softball Field	950,645	04/15/20
Rancho Beuna Vista - Gym Expansion	1,257,502	01/19/20
Rancho Minerva - Landscaping and Fence	1,150,383	04/15/20
Vista Academy - Fire Alarm Upgrade	823,629	08/15/19
Vista High School - New Classrooms	45,785,230	12/15/22
Vista High School - Girls Softball Field	3,371,825	02/15/21
Vista Magnet Middle School - Pool Upgrade	1,900,734	01/19/20
Lake Elementary - Pathway	1,700,000	06/30/21
Vista Magnet Middle School - Front Entry	176,325	06/30/21
Vista Innovation - Drinking Fountains	137,800	06/30/21

* Expected date of final completion is subject to change.

OTHER INDEPENDENT AUDITORS' REPORTS

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

**Governing Board Members and
Citizens' Bond 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 Measure LL Building Fund of Vista Unified School District, which comprise the balance sheet as of June 30, 2019, and the related statements of revenues, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 entity'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.

William A. King & Co., LLP

El Cajon, California
March 10, 2020