

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Bond Oversight Committee
Vista Unified School District
Measure LL Building Fund
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, 2020, 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, 2020, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and other required supplementary information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in a 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.

Other Information

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 *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 May 31, 2021 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 May 31, 2021 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, 2020 and should be considered in assessing the results of our financial audit.

Wilkinson Hobbly King & Co., LLP

El Cajon, California
May 31, 2021

**Vista Unified School District
General Obligation Bonds
Measure LL Building Fund
Management's Discussion and Analysis
June 30, 2020
(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, 2020. 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 FUNDS

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 (21-39) 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, 2020
(Unaudited)**

Comparison of Measure LL Building Fund Financial Data for 2018-19 and 2019-20 is as follows:

Balance Sheet	2018-2019	2019-2020	% Change
Cash in County Treasury		49,084,855	- %
Accounts Receivable	94,183	209,653	122.6%
Due from State School Building Fund	56,320,000	19,095	-100.0%
Total Assets	56,414,183	49,313,603	-12.6%
Accounts Payable	1,058,027	1,855,555	75.4%
Due to General Fund	4,216	4,289	1.7%
Due to Capital Facilities Fund	50,333		-100.0%
Due to Special Reserve Fund	20,413	12,072	-40.9%
Due to Self Insurance Fund		647	- %
Total Liabilities	1,132,989	1,872,563	65.3%
Total Fund Balance	55,281,194	47,441,040	-14.2%

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, 2020
(Unaudited)**

Statement of Revenues, Expenditures, and Changes in Fund Balance	2018-2019	2019-2020	% Change
Revenues:			
Interest Income	94,184	1,054,183	1019.3%
Refund Cost of Issuance Fees	-	19,095	- %
Total Revenues	94,184	1,073,278	20.3%
Expenditures			
Bond Issuance Costs	434,250	-	-100.0%
Classified Salaries	-	211,055	- %
Employee Benefits and Taxes	-	89,057	- %
Audit Expense	-	4,500	- %
Capital Outlay	1,132,990	8,608,820	0.0%
Total Expenditures	1,567,240	8,913,432	445.4%
Other Financing Sources (Uses)			
Proceeds From Sale of Bonds	56,500,000	-	-100.0%
Bond Premium	4,922,699	-	-100.0%
Deposit to Debt Service Fund	(4,668,449)	-	-100.0%
Total Other Financing Sources (Uses)	56,754,250	-	-100.0%
Net Change In Fund Balance	55,281,194	(7,840,154)	-115.3%
Net Fund Balance, Beginning of Year	-	55,281,194	- %
Net Fund Balance, End of Year	55,281,194	47,441,040	-15.3%

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.

LONG-TERM DEBT CONSIDERATIONS

At the end of June 30, 2020, Vista Unified School District Measure LL had \$61.4 million in long-term debt outstanding (see Note I).

**Vista Unified School District
General Obligation Bonds
Measure LL Building Fund
Management's Discussion and Analysis
June 30, 2020
(Unaudited)**

CONSTRUCTION COMMITMENTS

Capital Project	Cumulative Costs to Date	Remaining Construction Commitment	Status
Beaumont Elementary - Replace Relocatable Classrooms	\$182,113.06	8,271,137	
Bobier Elementary - Replace Relocatable Classrooms	\$313,085.07	7,626,665	
California Avenue School - Restrooms	\$770,791.95	1,298,964	
Casita Elementary - Restrooms	\$770,328.36	1,572,272	
Mission Vista High School - Public Access Ramp	\$485,668.22	-	Complete
Rancho Buena Vista - Girls Softball Field	\$1,214,615.63	998,007	
Rancho Buena Vista - Gym Expansion	\$1,590,488.37	43,270	
Rancho Minerva - Landscaping and Fenc	\$103,748.97	-	Cancelled
Vista Academy - Fire Alarm Upgrade	\$1,202,092.61	-	Complete
Vista High School - New Classrooms	\$177,340.37	45,736,065	
Vista High School - Girls Softball Field	\$213,087.57	5,840,826	
Vista Magnet Middle School - Pool Upgrade	\$2,433,853.64	-	Complete
Lake Elementary - Pathway	\$165,022.00	-	Cancelled
Vista Magnet Middle School - Front Entry	\$8,781.00	343,522	
Rancho Buena Vista Classrooms (Phase II)	\$7,120.00	25,254,272	
	9,638,137	96,985,000	

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Inflation increases in building costs during construction.
- COVID-19 delays in construction projects.

**Vista Unified School District
General Obligation Bonds
Measure LL Building Fund
Management's Discussion and Analysis
June 30, 2020
(Unaudited)**

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, 2020**

ASSETS

Current Assets

Cash in County Treasury	\$ 49,084,855
Accounts Receivable	209,653
Due from State School Building Fund	19,095
Total Current Assets	<u>49,313,603</u>

TOTAL ASSETS \$ 49,313,603

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts Payable	\$ 1,855,555
Due to General Fund	4,289
Due to Special Reserve Fund	12,072
Due to Self Insurance Fund	647
Total Current Liabilities	<u>1,872,563</u>

TOTAL LIABILITIES 1,872,563

Fund Balance

Restricted for Capital Projects	<u>47,441,040</u>
---------------------------------	-------------------

TOTAL LIABILITIES AND FUND BALANCE \$ 49,313,603

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, 2020**

REVENUES	
Interest Income	\$ 1,054,183
Refund Cost of Issuance Fees	<u>19,095</u>
TOTAL REVENUES	1,073,278
EXPENDITURES	
Classified Salaries	211,055
Employee Benefits and Taxes	89,057
Audit Expense	4,500
Capital Outlay:	
Appraisal and Survey Costs	37,629
Architect Fees	869,175
DSA Plan Check Fees	151,945
Preliminary Testing	156,088
Planning Costs	57,333
Permanent Construction	6,445,167
Construction Manager Fees	634,314
Construction Testing	58,022
Inspection Fees	173,267
Other Construction Costs	<u>25,880</u>
TOTAL EXPENDITURES	<u>8,913,432</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(7,840,154)</u>
NET CHANGE IN FUND BALANCE	<u>(7,840,154)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>55,281,194</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 47,441,040</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, 2020**

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 accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

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, 2020**

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, 2020**

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, 2020**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and additions to/deductions from the CalPERS Plan fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to 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, 2020 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.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

C. Fair Value Measurements

The District's investments attributed to Measure LL Building Fund at June 30, 2020, categorized within the fair value hierarchy established by generally accepted accounting principles were as follows:

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External investment pools measured at fair value				
San Diego County Treasury	\$ 49,084,855	\$ -	\$ 49,084,855	\$ -
Total investments by fair value level	<u>\$ 49,084,855</u>	<u>\$ -</u>	<u>\$ 49,084,855</u>	<u>\$ -</u>

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.

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.

D. 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, 2020 the portion of cash attributed to Measure LL Building Fund was \$49,084,855. The fair value of Measure LL Building Fund's portion of this pool as of that date, as prepared by the pool sponsor, was \$49,084,855. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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.

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.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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, 2020**

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.

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

E. Accounts Receivable

As of June 30, 2020 accounts receivable consisted of:

	Accounts Receivable
Interest Receivable	\$ 209,653
Total Accounts Receivable	\$ 209,653

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

F. Accounts Payable

As of June 30, 2020 accounts payable consisted of:

	Accounts Payable
Vendor Payables	\$ 1,848,173
Payroll and Benefits	7,382
Total Accounts Payable	\$ 1,855,555

G. Interfund Balances and Activities

Balances due to and due from other funds at June 30, 2020 consisted of the following:

Description	Amount	Purpose
Due from State School Building Fund	\$ 19,095	Transfer refund of cost of issuance funds

Description	Amount	Purpose
Due to General Fund	\$ 4,289	OPEB allocation
Due to Special Reserve Fund	12,072	Reimbursement of DSA fees for construction
Due to Self Insurance Fund	647	Workers compensation funding
Total	\$ 17,008	

H. 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, 2020**

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%

I. Long-Term Debt

The outstanding bonded debt as of June 30, 2020 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amount Outstanding 7/01/19	Issued Current Year	Redeemed Current Year	Amount Outstanding 06/30/20
05/23/19	3.00-5.00%	08/01/48	\$ 56,500,000	\$ -	\$ -	\$ 56,500,000
05/23/19	Premium	08/01/48	<u>4,922,699</u>	<u>-</u>	<u>-</u>	<u>4,922,699</u>
	Totals		<u>\$ 61,422,699</u>	<u>\$ -</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, 2020**

Debt service requirements on the general obligation bonds as of June 30, 2020 is as follows:

Year Ended June 30,	Principal	Interest	Total	Premium
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	-	1,522,000	1,522,000	-
2026-2030	1,240,000	7,557,000	8,797,000	107,315
2031-2035	4,175,000	6,942,500	11,117,500	363,295
2036-2040	7,505,000	5,869,800	13,374,800	652,750
2041-2045	11,820,000	4,248,800	16,068,800	1,027,859
2046-2050	13,735,000	1,427,800	15,162,800	1,201,631
Totals	<u>\$ 56,500,000</u>	<u>\$ 35,145,300</u>	<u>\$ 91,645,300</u>	<u>\$ 4,922,699</u>

J. Construction Commitments

As of June 30, 2020, 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	\$ 8,271,137	December 2023
Bobier Elementary - Replace Relocatable Classrooms	7,626,665	August 2024
California Avenue Elementary - Restrooms	1,298,964	November 2020
Casita Elementary - Restrooms	1,572,272	December 2020
Mission Vista High School - Public Access Ramp	1,236,832	October 2020
Rancho Minerva Middle School - Landscaping and Fencing	1,063,001	March 2022
Vista Academy - Fire Alarm Upgrade	38,107	October 2020
Vista High School - New Classrooms	45,736,065	December 2023
Vista High School - Girls Softball Field	3,213,737	July 2021
Vista Magnet Middle School - Front Entry	167,544	January 2023
Lake Elementary - Pathway and Landscaping	1,534,978	July 2022
Vista Innovation - Drinking Fountains	137,800	August 2023

* Expected date of final completion is subject to change.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

K. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their website.

b. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The plan's provisions and benefits in effect June 30, 2020 are summarized as follows:

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years	5 years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (at June 30, 2020)	7.000%	7.000%
Required employer contribution rates (at June 30, 2020)	19.721%	19.721%

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

c. Contributions

CalPERS

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. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2020 (measurement date June 30, 2019), the employee contribution rate was 7.00% and employer contribution rate was 19.721% of covered payroll.

d. Contributions Recognized

For the fiscal year ended June 30, 2020 (measurement period June 30, 2019), the contributions recognized for each plan were:

	District Share of CalPERS	Bond Share of CalPERS
Contributions - Employer	\$ 8,220,232	\$ 41,384
Total Contributions	\$ 8,220,232	\$ 41,384

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, there was no bond proportionate share of the net pension liability based upon the measurement date of June 30, 2019.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. 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.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

a. Pension Expense

For the measurement period ended June 30, 2019 (fiscal year June 30, 2020), pension expense was recognized as follows:

Pension expense for the CalPERS plan was as follows:

	District Share of CalPERS	Bond Share of CalPERS
Change in Net Pension Liability (Asset)	\$ 9,143,852	\$ -
Employer Contributions to Pension Expense	8,220,232	41,384
(Increase) Decrease in Deferred Outflows of Resources	559,845	(41,384)
Increase (Decrease) in Deferred Inflows of Resources	(88,886)	-
Total Pension Expense	<u>\$ 17,835,043</u>	<u>\$ -</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	District Share of CalPERS		Bond Share of CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,220,232	\$ -	\$ 41,384	\$ -
Differences between actual and expected experience	7,608,471	-	-	-
Changes in assumptions	6,583,729	(3,114,356)	-	-
Change in employer's proportionate share	1,350,649	(728,291)	-	-
Total	<u>\$ 23,763,081</u>	<u>\$ (3,842,647)</u>	<u>\$ 41,384</u>	<u>\$ -</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2021. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	District Share of CalPERS		Bond Share of CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 14,292,521	\$ (239,549)	\$ 41,384	\$ -
2022	5,759,036	(2,782,067)	-	-
2023	2,533,204	(1,051,236)	-	-
2024	1,178,320	230,205	-	-
Total	<u>\$ 23,763,081</u>	<u>\$ (3,842,647)</u>	<u>\$ 41,384</u>	<u>\$ -</u>

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Fiscal Year	<u>CalPERS</u> June 30, 2020
Measurement Date	June 30, 2019
Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	(1)
Investment Rate of Return	7.15%
Post Retirement Increase	(2)
Mortality	(3)

- (1) Wage growth is a component of inflation for CalPERS assumptions.
- (2) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (3) CalPERS mortality table was developed based on actual CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the PERS website.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

d. Discount Rate

The discount rate used to measure the total pension liability was 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. CalPERS conducts new ALM's every 4 years.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

*In the basic financial statements, 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 2.00% is used for this period.

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

e. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

As of June 30, 2020 there was no bond proportionate share of the net pension liability based upon the measurement date as of June 30, 2019.

Detailed information about the pension plan's fiduciary position is available in the separately issued CalPERS financial report.

L. Compensated Absences

As of June 30, 2020, the District had a compensated absences liability associated with employees charged to Measure LL Building Fund as follows:

	Measure LL Building Fund
Accrued Vacation Balances	<u>\$ 53,595</u>

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

M. Postemployment Benefits Other Than Pension Benefits

The following information presented below is the District's government-wide liability for OPEB. The bond fund had 0.1305% of the District's total OPEB expense.

N. Postemployment Benefits Other Than Pension Benefits (OPEB)

1. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, Vista Unified School District Retiree Health Care Plan (the Plan) provides for retirees that meet eligibility requirements until age 65. Retirees in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

The Plan varies by employee group as described below:

Classified Employees

The District provides retiree health and welfare benefits including medical benefits, prescription drug benefits, dental benefits, vision benefits and life insurance (\$50,000 of coverage including AD&D) to eligible retirees and their eligible dependents. The District's financial obligation is to pay for retiree health coverage to age 65 up to a monthly maximum. A retiree must elect either medical (including prescription drug benefits) coverage only or full benefits at retirement. The District maximum contribution for coverage is 50% of the active employer contribution maximum (\$475.00 for retirements on or after January 1, 2018, \$462.50 for retirements between July 1, 2016 and January 1, 2018, \$450.00 per month for retirements between July 1, 2014 and July 1, 2016, \$438.04 per month for retirements between January 1, 2006 and July 1, 2014, and \$307.09 prior to January 1, 2006) which may be changed in future years. The District does not provide any retiree health benefits beyond age 65. The retiree pays for any costs for coverage above the District's maximum contribution. Employees electing to permanently waive their retiree health benefit and who retire prior to age 65 are eligible for a one time lump sum payment that varies depending on age at retirement.

Eligibility for retiree health coverage requires retirement on or after age 55 with at least 10 years of eligible service. Dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 65.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Management & Other Employees (Including Supervisors & Confidentials)

The District provides retiree health and welfare benefits including medical benefits, prescription drug benefits, dental benefits, vision benefits and life insurance (\$50,000 of coverage including AD&D) to eligible retirees and their eligible dependents. The District's financial obligation is to pay for retiree health coverage to age 65 up to a monthly maximum. A retiree must elect either medical (including prescription drug benefits) coverage only or full benefits at retirement. The District maximum contribution for coverage is 50% of the active employer contribution maximum (\$950.00 per month until age 65, then drops to \$462.50 for retirements between July 1, 2016 and January 1, 2018, \$900 per month until age 65, then drops to \$450 for retirements between July 1, 2014 and July 1, 2016, \$876.08 per month until age 65, then drops to \$438.04 for retirements before July 1, 2014) which may be changed in future years. The District does not provide any retiree health benefits beyond age 65. The retiree pays for any costs for coverage above the District's maximum contribution. Employees electing to permanently waive their retiree health benefit and who retire prior to age 65 are eligible for a one time lump sum payment that varies depending on age at retirement.

Eligibility for retiree health coverage requires retirement on or after age 55 with at least 10 years of eligible service. Dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 68.

Employees Covered by Benefit Terms

At measurement date, June 30, 2019, Plan membership consisted of the following:

Inactive plan members of beneficiaries currently receiving benefit payments	252
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	1,870
Total number of participants	2,122

2. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Fiscal Year	July 1st to June 30th
Measurement Date	June 30, 2019
Funding Policy	Pay-as-you-go
Discount Rate	3.15% per annum
Inflation	2.50% per annum
Salary Increases	2.75% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 4.50%
Retiree's Share of Costs	Amounts in excess of District maximum contributions

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 to June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 to June 30, 2015.

Changes in the Total OPEB Liability

	<u>District</u>	<u>Building Fund</u>
	<u>Total OPEB</u>	<u>Measure LL</u>
	<u>Liability</u>	<u>Total OPEB</u>
		<u>Liability</u>
Balance at June 30, 2019	\$ 37,153,923	\$ -
Changes for the year:		
Service Cost	2,240,185	2,923
Interest	1,333,485	1,740
Changes in assumptions or other inputs	109,084	48,629
Differences between expected and actual	174,376	228
Benefit payments	(2,589,087)	(3,379)
Net changes	<u>1,268,043</u>	<u>50,141</u>
Balance at June 30, 2020	<u>\$ 38,421,966</u>	<u>\$ 50,141</u>

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease</u> <u>(2.15%)</u>	<u>Valuation Discount Rate</u> <u>(3.15%)</u>	<u>1% Increase</u> <u>(4.15%)</u>
District's Total OPEB Liability	\$ 40,975,292	\$ 38,421,966	\$ 36,031,101
Measure LL Building Fund Share Total Liability	\$ 53,473	\$ 50,141	\$ 47,021

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u> <u>5.50%</u> <u>decreasing to</u> <u>3.50%</u>	<u>Healthcare Cost Trend Rate</u> <u>6.50%</u> <u>decreasing to</u> <u>4.50%</u>	<u>1% Increase</u> <u>7.50%</u> <u>decreasing to</u> <u>5.50%</u>
District's Total OPEB Liability	\$ 36,480,370	\$ 38,421,966	\$ 40,668,118
Measure LL Building Fund Share Total Liability	\$ 47,607	\$ 50,141	\$ 53,072

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$3,288,568. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	District Deferred Outflows of Resources OPEB Related	Building Fund Measure LL Deferred Outflows of Resources OPEB Related
Changes of assumptions	\$ 95,448	\$ -
Difference between expected and actual	152,579	-
Contributions subsequent to measurement date	1,856,124	41,384
Total	\$ 2,104,151	\$ 41,384

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	District Deferred Inflows of Resources OPEB Related	Building Fund Measure LL Deferred Inflows of Resources OPEB Related
Year Ended June 30,	OPEB Related	OPEB Related
2021	\$ 1,891,557	\$ 41,384
2022	35,433	-
2023	35,433	-
2024	35,433	-
2025	35,433	-
Thereafter	70,862	-
Total	\$ 2,104,151	\$ 41,384

Payables to the OPEB Plan

At June 30, 2020, the District did not have any payables to the OPEB plan outstanding.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of the Bond's Proportionate Share of the Net Pension Liability
California Public Employee Retirement System (CalPERS)
Last Ten Fiscal Years*

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.3005%	0.2942%	0.3113%	0.3239%	0.3429%	0.3365%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 87,576,435	\$ 78,432,583	\$ 74,316,481	\$ 63,969,423	\$ 50,542,075	\$ 38,198,906	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 42,053,161	\$ 39,222,091	\$ 39,983,057	\$ 39,222,580	\$ 38,131,425	\$ 35,379,462	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	208.25%	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A
Bond's proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
Schedule of the Bond's Proportionate Share of the Net Pension Liability
California Public Employee Retirement System (CalPERS)
Last Ten Fiscal Years*

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2013	2012	2011	2010
District:										
Contractually required contribution	\$ 8,220,232	\$ 7,595,642	\$ 6,091,583	\$ 5,552,847	\$ 4,646,699	\$ 4,488,450	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(8,220,232)	(7,595,642)	(6,091,583)	(5,552,847)	(4,646,699)	(4,488,450)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 41,682,633	\$ 42,053,161	\$ 39,222,091	\$ 39,983,057	\$ 39,222,580	\$ 38,131,425	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	19.721%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond Portion:										
Contractually required contribution	\$ 41,384	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(41,384)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bond's covered-employee payroll	\$ 209,847	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	19.721%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

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

Schedule of Changes in the Bond's Proportionate Share of the Total OPEB Liability and Related Ratio-OPEB Plan
Last Ten Fiscal Years*

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District total OPEB liability:										
Service cost	\$ 2,240,185	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	1,333,485	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	109,084	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual	174,376									
Benefit payments	(2,589,087)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,268,043	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	37,153,923	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 38,421,966</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll	\$ 162,541,982	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's OPEB liability as a percentage of covered employee payroll	23.63%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond portion total OPEB liability:										
Service cost	\$ 2,923	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	1,740	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	48,629	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual	228									
Benefit payments	(3,379)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	\$ 50,141	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 50,141</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll	\$ 211,055	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond portion total OPEB liability as a percentage of covered employee payroll	23.75%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS
Notes to Required Supplementary Information
Year Ended June 30, 2020

Schedule of District's Proportionate Share - California Public Employees' Retirement System

1) Benefit Changes: In 2015, 2016, 2017, 2018, 2019, and 2020 there were no changes to benefits

2) Changes in Assumptions: In 2015 & 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.50% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance with CalPERS experience study and review of Actuarial Assumptions December 2017, there were no changes to the discount rate in the period.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, 2015, 2016, 2017, and 2018 and rolling forward the total pension liabilities to June 30, 2015, 2016, 2017, 2018, and 2019 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Measurement Date	06/30/14	06/30/15	06/30/16	06/30/17
Valuation date	06/30/13	06/30/14	06/30/15	06/30/16
Experience Study	07/01/97-06/30/11	07/01/97-06/30/11	07/01/97-06/30/11	07/01/97-06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%	7.15%
Consumer Price Inflation	2.75%	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%	3.00%
Post-Retirement Benefit Increase	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2019	June 30, 2020
Measurement Date	06/30/18	06/30/19
Valuation date	06/30/17	06/30/18
Experience Study	07/01/97-06/30/15	07/01/97-06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%
Consumer Price Inflation	2.50%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-Retirement Benefit Increase	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) available on CalPERS website.

**VISTA UNIFIED SCHOOL DISTRICT
MEASURE LL BUILDING FUND
GENERAL OBLIGATION BONDS**
Notes to Required Supplementary Information
Year Ended June 30, 2020
(Continued)

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

1) Benefit Changes: In 2019, the District made benefit changes consistent with bargaining agreements. There have been no additional changes to benefits in periods being reported.

2) Changes in Assumptions: Changes in assumptions for the fiscal year ended June 30, 2019 included an increase in the discount rate from 3.40% to 3.50% based on a change in bond buyer 20 bond index rate. Changes in assumptions for the fiscal year ended June 30, 2020 included a decrease in the discount rate from 3.50% to 3.15% based on a change in bond buyer 20 bond index rate.

3) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.40%
2019	3.50%
2020	3.15%

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
Measure LL Building Fund
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, 2020, 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 May 31, 2021.

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.

Wilkinson Kelly King & Co., LLP

El Cajon, California
May 31, 2021