

NEW ISSUE – BOOK ENTRY ONLY

RATING: S&P: “A+”
(See “RATING” herein.)

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal tax purposes. See “TAX MATTERS” herein.



\$45,000,000*
VISTA UNIFIED SCHOOL DISTRICT
(San Diego County, California)
2019 GENERAL OBLIGATION REFUNDING BONDS
(Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”) are being issued by the Vista Unified School District (the “District”) to (i) refund a portion of the District’s outstanding 2012 General Obligation Refunding Bonds (the “Prior Bonds”) and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “PLAN OF REFUNDING.” The Bonds are issued on a parity basis with all other outstanding general obligation bonds of the District.

The Bonds are general obligations of the District only and are not obligations of the County of San Diego (the “County”), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except for certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property within the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2020. See “THE BONDS” herein.

The Bonds will be issued in book-entry form only, in denominations of \$5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by the Treasurer- Tax Collector of San Diego County, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System.”

The Bonds are not subject to redemption prior to maturity. See “THE BONDS – No Redemption” herein.

The District has applied for insurance to guarantee the scheduled payment of principal of and interest on the Bonds when due under a policy of municipal bond insurance to be delivered concurrently with the issuance of the Bonds.

MATURITY SCHEDULE
On Inside Cover Pages

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, San Diego, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, San Diego, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about December __, 2019.

STIFEL

The Date of this Official Statement is: November __, 2019.

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$45,000,000*
Vista Unified School District
(San Diego County, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹ (928346)</u>
2023				
2024				
2025				
2026				
2027				
2028				

* Preliminary; subject to change.

¹ Copyright 2019, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

VISTA UNIFIED SCHOOL DISTRICT
San Diego County, State of California

Board of Education

Rosemary Smithfield, *President*
Cipriano Vargas, *Vice President*
Debbie Morton, *Clerk*
Rich Alderson, *Member*
Martha Alvarado, *Member*

District Administrators

Matt Doyle, Ed.D., *Superintendent*
Ami Shackelford, *Assistant Superintendent, Business Services*
Matthew Steitz, Ed.D., *Assistant Superintendent, Educational Excellence*
Rachel D'Ambroso, *Assistant Superintendent, Human Relations*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
San Diego, California

Financial Advisor

Piper Jaffray & Co.
El Segundo, California

Paying Agent, Transfer Agent, and Registration Agent

Treasurer-Tax Collector of San Diego County
San Diego, California

Escrow Agent

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of San Diego, the County of San Diego has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "SAN DIEGO COUNTY INVESTMENT POOL."

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

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

\$45,000,000*
VISTA UNIFIED SCHOOL DISTRICT
(San Diego County, California)
2019 GENERAL OBLIGATION REFUNDING BONDS
(Federally Taxable)

INTRODUCTION

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

The Vista Unified School District (the “District”) proposes to issue \$45,000,000* aggregate principal amount of its 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”) in order to (i) refund a portion of its 2012 General Obligation Refunding Bonds (the “2012 Refunding Bonds”) maturing on August 1, 2023 through August 1, 2028, inclusive (the “Refunded Bonds”) and (ii) pay all legal, financial and contingent costs in connection with the issuance of the Bonds. See “PLAN OF REFUNDING” herein. The 2012 Refunding Bonds were issued to refund a portion of the District’s General Obligation Bonds, Election of 2002, Series 2002A (the “2002A Bonds”) and a portion of the District’s General Obligation Bonds, Election of 2002, Series 2003B (the “2003B Bonds”), each of which was issued pursuant to an authorization for the issuance and sale of not to exceed \$140,000,000 of general obligation bonds approved by the qualified voters of the District voting on the proposition at a general election held on March 5, 2002 (the “2002 Authorization”), pursuant to which no additional general obligation bonds remain for issuance. The Bonds are not counted against the 2002 Authorization and therefore, the District may issue the Bonds, as well as additional refunding bonds in the future, to refund outstanding general obligation bonds issued pursuant to the 2002 Authorization.

The Bonds are issued on a parity basis with all outstanding general obligation bonds of the District.

Registration

The Treasurer-Tax Collector of San Diego County (the “County Treasurer”) will act as the initial registrar, transfer agent and paying agent for the Bonds (the “Paying Agent”). As long as The Depository Trust Company, New York, New York (“DTC”) is the registered owner of the Bonds and DTC’s book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. See “THE BONDS – Description of the Bonds” herein.

The District

The District was formed in 1936 and encompasses approximately 39 square miles in the northern region of San Diego County (the “County”), approximately 40 miles north of downtown San Diego, with a population of about 158,000 residents. The District consists of the city of Vista as well as portions of the cities of Oceanside, Carlsbad and San Marcos and adjacent unincorporated areas of the County. The District provides education services in 29 schools including sixteen elementary schools, five middle schools, three comprehensive high schools, two alternative high schools, one blended learning/independent study middle/high school, one adult education school and one adult transition center servicing students with special needs. In addition, the District is the chartering agency for five charter schools within the District and there are three independent charter schools operating within the District’s boundaries that are approved and overseen by other entities.

The District's budgeted average daily attendance ("ADA") for fiscal year 2019-20 is 19,365 students and the District has a 2019-20 total assessed valuation of \$18,847,655,805. The District's audited financial statements for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX B. For further information concerning the District, see the caption "VISTA UNIFIED SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

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

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" herein and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Professionals Involved in the Offering

Dannis Woliver Kelley, San Diego, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. The County Treasurer is acting as registrar, transfer agent and paying agent for the Bonds. U.S. Bank National Association is acting as escrow agent for the Refunded Bonds. Piper Jaffray & Co., El Segundo, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Kutak Rock LLP is acting as counsel to the Underwriter with respect to the Bonds. Causey Demgen & Moore P.C., certified public accountants, is acting as Verification Agent with respect to the Bonds. Dannis Woliver Kelley and Piper Jaffray & Co. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Kutak Rock LLP will receive compensation from the Underwriter contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December __, 2019.*

THE BONDS

Authority for Issuance

The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Articles 9 and 11 of the Government Code (commencing with Section 53550) (the “Act”) and pursuant to a resolution of the Board of Education of the District adopted on October 17, 2019 (the “Resolution”).

Purpose of Issue

The net proceeds of the Bonds will be applied to refund the Refunded Bonds. See “PLAN OF REFUNDING” herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the County Treasurer, as Paying Agent, to Cede & Co., as nominee for DTC (the “Nominee”). DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” herein.

Payment of the Bonds

Interest on the Bonds is payable commencing February 1, 2020, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”). The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the “Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of

* Preliminary, subject to change.

registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on January 15, 2020, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

Payments of interest will be made on each Interest Payment Date to the Nominee, and in the event the book-entry-only system is discontinued, by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

No Redemption*

The Bonds are not subject to redemption prior to maturity.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which is fully sufficient to pay all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and

* Preliminary; subject to change.

all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of \$5,000 principal amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See “CONTINUING DISCLOSURE” herein and “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium
Total Sources

Uses of Funds

Deposit to Escrow Fund
Costs of Issuance⁽¹⁾
Total Uses

⁽¹⁾ Includes Underwriter’s discount, Bond and Disclosure Counsel fees, financial advisory fees, paying agent fees, escrow agent fees, rating agency fees, verification agent fees, and other costs of issuance.

District Investments

The County manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the County Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County Treasury. See “SAN DIEGO COUNTY INVESTMENT POOL” herein.

DEBT SERVICE SCHEDULE

The following table summarizes the semi-annual principal and interest payments on the Bonds.

SEMI-ANNUAL DEBT SERVICE ON THE BONDS

Date	Principal	Interest	Semi-Annual Debt Service
February 1, 2020			
August 1, 2020			
February 1, 2021			
August 1, 2021			
February 1, 2022			
August 1, 2022			
February 1, 2023			
August 1, 2023			
February 1, 2024			
August 1, 2024			
February 1, 2025			
August 1, 2025			
February 1, 2026			
August 1, 2026			
February 1, 2027			
August 1, 2027			
February 1, 2028			
August 1, 2028			
Total			

BOND INSURANCE

The District has applied for insurance to guarantee the scheduled payment of principal and interest on the Bonds and, if a commitment for a policy of municipal bond insurance policy is issued, will determine prior to the sale of the Bonds whether to obtain such insurance.

[Remainder of page intentionally left blank]

The following table summarizes the annual debt service payments for all of the District's outstanding bonds, assuming no optional redemptions, comprising the 2002A Bonds, the 2003B Bonds, the 2012 Refunding Bonds, the 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds"), the General Obligation Bonds, Election of 2018, 2019 Series A (the "2019A Bonds") and the Bonds:

**DEBT SERVICE
ON ALL OUTSTANDING GENERAL OBLIGATION BONDS
OF THE DISTRICT**

Period Ending August 1	2002A Bonds	2002B Bonds	2012 Refunding Bonds ⁽¹⁾	2015 Refunding Bonds	2019A Bonds	The Bonds	Total Debt Service
2020	--	--	\$ 3,446,900	\$ 7,491,800	\$ 8,486,900		
2021	--	--	8,687,100	2,239,050	8,669,250		
2022	--	--	9,003,350	2,337,250	6,924,250		
2023	--	--	9,341,200	2,433,500	1,522,000		
2024	--	--	9,679,450	2,536,000	1,522,000		
2025	--	--	10,036,950	2,644,000	1,522,000		
2026	\$11,150,000	--	1,180,950	2,761,750	1,522,000		
2027	5,795,000	--	6,392,500	2,878,250	1,847,000		
2028	--	\$7,425,000	5,360,250	3,003,000	1,915,750		
2029	--	--	--	--	1,990,250		
2030	--	--	--	--	2,065,000		
2031	--	--	--	--	2,139,750		
2032	--	--	--	--	2,219,250		
2033	--	--	--	--	2,303,000		
2034	--	--	--	--	2,390,500		
2035	--	--	--	--	2,482,950		
2036	--	--	--	--	2,574,550		
2037	--	--	--	--	2,670,550		
2038	--	--	--	--	2,770,550		
2039	--	--	--	--	2,876,200		
2040	--	--	--	--	2,982,200		
2041	--	--	--	--	3,093,800		
2042	--	--	--	--	3,207,800		
2043	--	--	--	--	3,328,800		
2044	--	--	--	--	3,456,200		
2045	--	--	--	--	3,584,400		
2046	--	--	--	--	3,718,000		
2047	--	--	--	--	3,856,400		
2048	--	--	--	--	4,004,000		
Total	\$16,945,000	\$7,425,000	\$63,128,650	\$28,324,600	\$91,645,300		

⁽¹⁾ Includes debt service on the Refunded Bonds intended to be refunded by the Bonds described herein. See "PLAN OF REFUNDING."

[Remainder of page intentionally left blank]

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes levied and collected within the District. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

The District is authorized to issue refunding bonds to refund its outstanding general obligation bonds (including general obligation refunding bonds) under the Government Code (commencing with section 53550 thereof). The Bonds are not counted against the 2002 Authorization and therefore, the District may issue the Bonds, as well as additional refunding bonds in the future, to refund outstanding general obligation bonds issued pursuant to the 2002 Authorization.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District,

its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax within the District which the County levies and receives and all interest earnings thereon (the “Pledged Moneys”). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District payable solely from Pledged Moneys and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

PLAN OF REFUNDING

The District intends to apply the net proceeds of the sale of the Bonds to (i) refund the 2012 Refunding Bonds maturing on August 1, 2023 through August 1, 2028, inclusive, and (iii) pay the costs of issuance of the Bonds.

The 2012 Refunding Bonds intended to be refunded are shown in the table below:

VISTA UNIFIED SCHOOL DISTRICT 2012 General Obligation Refunding Bonds Bonds to be Refunded*

Maturity Date (August 1)	CUSIP No. (928346)¹	Principal Amount to be Refunded	Redemption Date
2023	NB7	\$7,535,000	August 1, 2022
2024	NC5	8,250,000	August 1, 2022
2025	ND3	9,020,000	August 1, 2022
2026	NE1	615,000	August 1, 2022
2027	NF8	5,845,000	August 1, 2022
2028	NG6	5,105,000	August 1, 2022

* Preliminary; subject to change.

¹ Copyright 2019, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

The maturities of the 2012 Refunding Bonds listed in the following table are not being refunded and will remain outstanding subsequent to the issuance of the Bonds.

**VISTA UNIFIED SCHOOL DISTRICT
2012 General Obligation Refunding Bonds
Unrefunded Bonds***

Maturity Date (August 1)	CUSIP No. (799561) ¹	Principal Amount
2020	MY8	\$995,000
2021	MZ5	6,275,000
2022	NA9	1,000,000
2022	NH4	3,810,000
2022	NJ0	2,095,000

Upon the issuance of the Bonds, the District will deposit the net proceeds of the Bonds into an Escrow Fund (the “Escrow Fund”) established pursuant to the Escrow and Deposit Agreement, by and between the District and U.S. Bank National Association, as escrow agent (the “Escrow Agent”) thereunder, in order to (i) pay interest on the Refunded Bonds coming due prior to August 1, 2022 (the “Redemption Date”) and (ii) redeem the Refunded Bonds on the Redemption Date, at a redemption price of the par amount of the Refunded Bonds plus accrued interest.

The sufficiency of amounts deposited into the Escrow Fund, together with investment earnings thereon, to effect the payment and redemption of the Refunded Bonds will be verified by Causey Demgen & Moore P.C., certified public accountants (the “Verification Agent”). See the caption “ESCROW VERIFICATION” herein.

As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and the Verification Agent’s computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will be satisfied and discharged. Amounts deposited into the Escrow Fund are not available to pay debt service on the Bonds.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property

* Preliminary; subject to change.

¹ Copyright 2019, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee’s fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee’s fee ownership of land are transferred to the unsecured roll and are then subject to the County Treasurer’s enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES” herein.

The State Constitution currently requires a credit of \$7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of \$100,000 increased

by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to \$150,000 if the applicant meets the income limit of \$40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table presents the historical assessed valuation in the District since fiscal year 2003-04. The District's total assessed valuation is \$18,847,655,805 for fiscal year 2019-20.

VISTA UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2003-04 Through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2003-04	\$ 9,239,219,277	\$ 707,370	\$ 258,618,401	\$ 9,498,545,048	--
2004-05	10,129,125,466	674,819	274,803,878	10,404,604,163	9.54%
2005-06	11,356,395,971	687,427	306,017,990	11,663,101,388	12.10
2006-07	12,464,775,636	645,926	345,988,370	12,811,409,932	9.85
2007-08	13,401,630,564	32,500	350,708,461	13,752,371,525	7.34
2008-09	13,647,217,680	0	371,122,773	14,018,340,453	1.93
2009-10	12,846,867,864	0	377,106,061	13,223,973,925	(5.67)
2010-11	12,623,121,071	0	351,047,607	12,974,168,678	(1.89)
2011-12	12,690,753,402	0	344,983,148	13,035,736,550	0.47
2012-13	12,746,993,593	0	341,717,994	13,088,711,587	0.41
2013-14	13,120,527,592	13,000	337,503,096	13,458,043,688	2.82
2014-15	13,933,368,915	13,000	337,575,681	14,270,957,596	6.04
2015-16	14,676,850,381	13,000	362,132,526	15,038,995,907	5.38
2016-17	15,510,720,002	13,000	384,176,787	15,894,909,789	5.69
2017-18	16,499,493,010	13,000	386,307,346	16,885,813,356	6.23
2018-19	17,492,638,696	29,250	371,176,365	17,863,844,311	5.79
2019-20	18,425,866,678	29,250	421,759,877	18,847,655,805	5.51

Source: California Municipal Statistics, Inc.

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

Recent California Drought Conditions and Wildfires. Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced

the end of the State-wide drought in all but Fresno, Kings, Tulare and Tuolumne Counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. According to the U.S. Drought Monitor, as of March, 2019, California is not currently experiencing any drought conditions.

Additionally, in fall 2017, summer and fall 2018, and fall 2019, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District was not impacted by the wildfires.

The District cannot make any representation regarding the effects that the drought or fire conditions has had, or may have on the value of taxable property within the District, or to what extent drought or fire could cause disruptions to agricultural production, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

Reassessments and Appeals of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 (“Proposition 8”), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution.”

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

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIII A (currently, a 2% annual maximum) until such assessed value again equals the Article XIII A base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIII A and base year values may not be increased by more than the standard Article XIII A annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIII A

base year value for such property. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution” herein.

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the “Governor”) signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the State Board of Equalization (“SBE”) and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE only hears appeals related to the programs that it constitutionally administers and the Office of Tax Appeals hears appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the District by political jurisdiction.

VISTA UNIFIED SCHOOL DISTRICT 2019-20 Assessed Valuation by Jurisdiction

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Carlsbad	\$ 128,870,124	0.68%	\$35,283,268,468	0.37%
City of Oceanside	6,164,708,267	32.71	25,021,714,685	24.64
City of San Marcos	2,770,139	0.01	13,712,795,280	0.02
City of Vista	10,609,255,947	56.29	12,218,393,952	86.83
Unincorporated San Diego County	<u>1,942,051,328</u>	<u>10.30</u>	77,548,929,915	2.50
Total District	\$18,847,655,805	100.00%		
San Diego County	\$18,847,655,805	100.00%	\$556,205,983,982	3.39%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use.

VISTA UNIFIED SCHOOL DISTRICT 2019-20 Assessed Valuation and Parcels by Land Use

	2019-20 <u>Assessed Valuation ⁽¹⁾</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
<u>Non-Residential:</u>				
Agricultural	\$ 66,252,504	0.36%	137	0.32%
Commercial	1,416,900,561	7.69	882	2.08
Vacant Commercial	93,936,485	0.51	183	0.43
Industrial	1,061,770,172	5.76	481	1.13
Vacant Industrial	32,217,313	0.17	52	0.12
Recreational	52,461,876	0.28	27	0.06
Government/Social/Institutional	65,878,962	0.36	603	1.42
Miscellaneous/Open Space	<u>1,149,556</u>	<u>0.01</u>	<u>23</u>	<u>0.05</u>
Subtotal Non-Residential	\$2,790,567,429	15.14%	2,388	5.62%
<u>Residential:</u>				
Single Family Residence	\$12,547,515,976	68.10%	33,249	78.29%
Condominium/Townhouse	722,238,537	3.92	2,629	6.19
Mobile Home	183,008,700	0.99	1,824	4.29
Mobile Home Park	39,862,984	0.22	20	0.05
2-4 Residential Units	456,511,161	2.48	845	1.99
5+ Residential Units/Apartments	1,512,676,218	8.21	299	0.70
Miscellaneous Residential	8,910,086	0.05	320	0.75
Vacant Residential	<u>164,575,587</u>	<u>0.89</u>	<u>897</u>	<u>2.11</u>
Subtotal Residential	\$15,635,299,249	84.86%	40,083	94.38%
Total	\$18,425,866,678	100.00%	42,471	100.00%

⁽¹⁾ Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2019-20, including the median and average assessed value per single family parcel.

VISTA UNIFIED SCHOOL DISTRICT Per Parcel 2019-20 Assessed Valuation of Single Family Homes

	No. of <u>Parcels</u>	2019-20 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	33,249	\$12,547,515,976	\$377,380	\$359,049

2019-20 <u>Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	388	1.167%	1.167%	\$ 15,620,678	0.124%	0.124%
\$50,000 - \$99,999	1,324	3.982	5.149	96,978,702	0.773	0.897
\$100,000 - \$149,999	1,376	4.138	9.287	173,952,082	1.386	2.284
\$150,000 - \$199,999	2,384	7.170	16.458	422,747,378	3.369	5.653
\$200,000 - \$249,999	3,494	10.509	26.966	789,455,610	6.292	11.945
\$250,000 - \$299,999	3,674	11.050	38.016	1,008,239,698	8.035	19.980
\$300,000 - \$349,999	3,335	10.030	48.047	1,082,015,293	8.623	28.603
\$350,000 - \$399,999	3,223	9.694	57.740	1,205,568,438	9.608	38.211
\$400,000 - \$449,999	3,030	9.113	66.853	1,284,711,707	10.239	48.450
\$450,000 - \$499,999	2,972	8.939	75.792	1,408,287,961	11.224	59.674
\$500,000 - \$549,999	2,497	7.510	83.302	1,305,905,833	10.408	70.081
\$550,000 - \$599,999	1,946	5.853	89.155	1,112,736,934	8.868	78.950
\$600,000 - \$649,999	1,157	3.480	92.634	720,062,520	5.739	84.688
\$650,000 - \$699,999	832	2.502	95.137	558,959,943	4.455	89.143
\$700,000 - \$749,999	532	1.600	96.737	383,432,166	3.056	92.199
\$750,000 - \$799,999	347	1.044	97.780	267,967,899	2.136	94.335
\$800,000 - \$849,999	206	0.620	98.400	169,204,618	1.349	95.683
\$850,000 - \$899,999	187	0.562	98.962	163,294,874	1.301	96.984
\$900,000 - \$949,999	103	0.310	99.272	95,010,787	0.757	97.742
\$950,000 - \$999,999	49	0.147	99.420	47,607,998	0.379	98.121
\$1,000,000 and greater	<u>193</u>	<u>0.580</u>	100.000	<u>235,754,857</u>	<u>1.879</u>	100.000
Total	33,249	100.000%		\$12,547,515,976	100.000%	

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

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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2019-20.

VISTA UNIFIED SCHOOL DISTRICT 2019-20 Largest Total Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	MG Preserve at Melrose Apartments LLC	Apartments	\$ 138,165,120	0.75%
2.	MG Waterleaf Apartments SHL LLC	Apartments	119,384,880	0.65
3.	PMI Monarch LLC	Apartments	100,980,000	0.55
4.	NM-Skye LLC	Apartments	91,413,037	0.50
5.	Vista Bella Terra LP	Apartments	80,149,306	0.43
6.	Lakeridge-Island Club Apts Partners LP	Apartments	70,587,115	0.38
7.	Vista Industrial LLC	Industrial	63,441,017	0.34
8.	Avalon Vista LP	Apartments	52,869,640	0.29
9.	Woodbend LP	Apartments	49,588,369	0.27
10.	Icon Owner Pool 1 West/Southwest LLC	Industrial	43,634,339	0.24
11.	Southridge-Oxford LP	Apartments	41,573,345	0.23
12.	Millcreek Apartments LLC	Apartments	39,624,200	0.22
13.	MEPT Ord Way LLC	Industrial	39,300,600	0.21
14.	Watkins Manufacturing Corp.	Industrial	39,232,163	0.21
15.	P K II Melrose Village Plaza LP	Shopping Center	37,825,000	0.21
16.	Shadowridge Meadows Apartments LP	Apartments	34,922,777	0.19
17.	BRE DDR Crocodile Vista	Commercial	33,496,874	0.18
18.	HCA CV 16 Apartments LLC	Apartments	33,393,502	0.18
19.	Wal-Mart Stores East LP	Commercial	30,158,981	0.16
20.	Hidden Hills Fee Owner LLC	Apartments	29,023,031	0.16
			<u>\$1,168,763,296</u>	<u>6.34%</u>

⁽¹⁾ 2019-20 local secured assessed valuation: \$18,425,866,678.

Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2019-20 account for 6.34% of the secured assessed value in the District which is \$18,425,866,678. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2019-20 was MG Preserve at Melrose Apartments LLC accounting for 0.75% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.65% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 12-004 by the County within the District for fiscal years 2015-16 through 2019-20:

VISTA UNIFIED SCHOOL DISTRICT
Typical Tax Rate per \$100 Assessed Valuation
(TRA 12-004⁽¹⁾)

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General Tax Rate	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Vista Unified School District	.063950	.051950	.053230	.051590	.084990
Palomar Community School District	.017690	.017570	.020530	.020900	.021700
Metropolitan Water District	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>
Total Tax Rate	\$1.085140	\$1.073020	\$1.077260	\$1.075990	\$1.110190

⁽¹⁾ 2019-20 Assessed Valuation of Tax Rate Area is \$1,307,065,410. In 2019-20, there are 249 tax rate areas that make up the District.

Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds on the secured roll irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of October 1, 2019:

VISTA UNIFIED SCHOOL DISTRICT Direct and Overlapping Bonded Indebtedness

2019-20 Assessed Valuation: \$18,847,655,805

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/19</u>
Metropolitan Water District	0.608%	\$ 292,144
Mira Costa Community College District	0.405	288,644
Palomar Community College District	14.277	87,856,769
Vista Unified School District	100.000	134,624,882 ⁽¹⁾
Palomar Health District	0.093	392,482
City of Carlsbad Community Facilities District No. 3, I.A. No. 1	33.986	2,475,880
City of Oceanside Community Facilities District No. 2006-1	10.961	950,319
City of Vista Community Facilities Districts	100.000	<u>2,465,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$229,346,120
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	3.389%	\$ 8,235,609
San Diego County Pension Obligation Bonds	3.389	15,455,196
San Diego County Superintendent of Schools Certificates of Participation	3.389	341,781
Palomar Community College District Certificates of Participation	14.277	254,844
Vista Unified School District Certificates of Participation	100.000	1,895,000
City of Vista General Fund Obligations	86.830	77,539,190
City of Oceanside General Fund Obligations	24.637	2,069,664
City of Oceanside Pension Obligation Bonds	24.637	5,049,353
City of San Marcos General Fund Obligations	0.020	<u>643</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$110,841,280
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$55,056,358
COMBINED TOTAL DEBT		\$395,243,758 ⁽²⁾

(1) Excludes the Bonds and includes the 2012 Refunding Bonds.

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

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$134,624,882)	0.71%
Total Overlapping Tax and Assessment Debt	1.22%
Combined Direct Debt (\$136,519,882)	0.72%
Combined Total Debt	2.10%

Ratios to Redevelopment Incremental Valuation (\$1,710,559,734):

Total Overlapping Tax Increment Debt	3.22%
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Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters in the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") was implemented in stages, beginning in fiscal year 2013-14 and was fully implemented in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system described below.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See "-Revenue Limit Funding System" below. The LCFF distributes resources to schools through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant is \$7,643 per unit of ADA, which is \$2,375 more than the average revenue limit. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

The primary component of AB 97, as amended by SB 91, is the implementation of the LCFF, which replaces the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF occurred in fiscal year 2018-19.

For fiscal year 2019-20, the Base Grant per unit of A.D.A. for each grade span are as follows: (i) \$8,563 for grades K-3; (ii) \$7,818 for grades 4-6; (iii) \$8,050 for grades 7-8; and (iv) \$9,572 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of cost-of-living-adjustments is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals (“FRPM”) and are not discussed separately herein, except that the percentage of LI students and foster youth receiving FRPM are set forth in the table on the following page). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table sets forth the historical ADA (at P-2) and enrollment (CBEDS Actual) for fiscal years 2009-10 through 2018-19.

VISTA UNIFIED SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2009-10 through 2018-19

Fiscal Year	ADA	Enrollment
2009-10	21,529	22,400
2010-11	21,363	22,314
2011-12	21,432	22,348
2012-13	21,101	22,128
2013-14	20,890	21,965
2014-15	20,844	21,743
2015-16	20,281	21,557
2016-17	20,113	21,118
2017-18	20,341	21,401
2018-19	19,765	20,756

Source: The District.

Declining Enrollment

Over the past five years, the District has experienced a decline in enrollment of approximately 1,000 students. The District projects that enrollment will continue to decline by another approximately 1,000 students over the current and next two fiscal years as reflected in its budget and as shown in the following table, although the District observes that the actual enrollment decline for the 2019-20 fiscal year has been approximately 200 students fewer than originally budgeted. The District attributes the decline in enrollment to local demographic shifts including a decline in birth rates and an increase in families moving away from the San Diego area as well competing charter schools within the District’s territory. See– “Budget Procedures – Recent Budget Actions” below for a discussion of the impact of declining enrollment, among other factors, on the District’s financial condition.

The following table sets forth the ADA, enrollment, the percentage of EL/LI (“Unduplicated Count”) enrollment (FRPM enrollment is included in the percentage of Unduplicated Count enrollment) in fiscal year 2018-19, budgeted for the current fiscal year and projections for fiscal years 2020-21 and 2021-22. See “Budget Procedures – Recent Budget Actions” herein for a discussion of the effect of declining enrollment in the District on its financial condition and the related steps being undertaken in response.

VISTA UNIFIED SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2018-19 through 2021-22

Fiscal Year	ADA					Enrollment	
	TK-3	4-6	7-8	9-12	Total ADA	Total Enrollment	Unduplicated Count (as % of Total Enrollment)
2018-19	6,301	4,424	2,797	6,243	19,765	20,756	63.91%
2019-20 ¹	6,094	4,183	2,802	6,286	19,365	20,142	64.50
2020-21 ²	5,975	4,161	2,696	6,143	18,974	19,808	64.73
2021-22 ²	5,975	4,161	2,696	6,143	18,974	19,808	64.69

¹ Budgeted.

² Projected.

Source: The District.

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

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

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

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

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

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

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

Revenue Limit Funding System. Prior to the implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the

difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

Revenue Sources

The District categorizes its general fund revenues into four sources; LCFF revenues, federal revenues, other State revenues and other local revenues. Each of these revenue sources is briefly described below.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See “- State Funding of Education – Local Control Funding Formula” above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as instructional materials, and various block grants.

The District receives State aid from the California State Lottery (the “Lottery”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

The percentage of total general fund revenue for each source of revenue is shown in the following table.

VISTA UNIFIED SCHOOL DISTRICT Percentage of Revenue by Source

Revenue Source	2015-16	2016-17	2017-18	2018-19 ⁽¹⁾	2019-20 ⁽²⁾
LCFF sources	74.66%	77.47%	77.57%	73.94%	79.61%
Federal revenues	6.00	5.24	5.30	5.07	5.50
Other State revenues	11.12	8.94	8.29	12.60	6.13
Other local revenues	8.21	8.35	8.85	8.40	8.76

⁽¹⁾ Based on unaudited actual financial results.

⁽²⁾ Budgeted.

Source: The District.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are \$3.20 per square foot for residential housing and \$0.51 per square foot for commercial or industrial development. For fiscal years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19, the District received \$1,518,786, \$1,095,792, \$1,351,611, \$944,170 and \$4,200,831 in developer fees, respectively. The District has budgeted receipt of \$1,849,000 in developer fees in fiscal year 2019-20.

Budget Procedures

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district’s budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal

year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has not received a qualified or negative certification on any interim reports in the last five fiscal years.

The District, however, expects to certify its first interim report for fiscal year 2019-20 with a qualified certification within the meaning of section 42133 of the Education Code as a result of declining enrollment as described herein above as well as increases in expenses for retirement benefits, insurance and special education, all of which, despite recent budget reductions, have led to a structural budget deficit.

Recent Budget Actions. At the time of approval of the District's 2018-19 first interim report, the District Board approved a resolution identifying the need to reduce its 2019-20 and 2020-21 multiyear projections by approximately \$14.7 million and \$6 million, respectively, and requiring that such reductions be included in the second interim report for that fiscal year. The Board subsequently approved reductions of approximately \$12.4 million to its 2019-20 multiyear projections which caused the fiscal year 2018-19 second interim report to be filed with a positive certification, despite the need for additional future budget reductions of \$2.3 million and \$10.9 million in fiscal years 2019-20 and 2020-21 in order to maintain balanced budgets in those years.

Simultaneous with approval of those budget reductions, the District entered into an agreement with the State's Fiscal Crisis & Management Assessment Team ("FCMAT") for management assistance related to its budget. Specifically, FCMAT agreed to (i) develop independent multi-year financial projections for 2018-19 and the two subsequent fiscal years, (ii) make recommendations for expenditure reductions and/or revenue enhancements to help eliminate the structural budget deficit and (iii) prepare a fiscal health risk analysis (the "Fiscal Health Risk Analysis") for the District.

FCMAT, in its Fiscal Health Risk Analysis of the District, dated July 22, 2019, identified several signs of fiscal distress for the District, including declining enrollment, deficit spending, substantial reductions in fund balance, and approval of bargaining agreements that exceed the District's ability to support them. FCMAT reviewed twenty distinct areas that may contribute to a district's level of fiscal distress. The District's total risk score was 29.3%, indicating a moderate level of risk. FCMAT noted that the District has planned and approved significant reductions in fiscal years 2019-20 and 2020-21, including a \$12.4 million reduction in fiscal year 2019-20 and a supplemental early retirement program incentive. In light of the cash flow projections prepared by FCMAT at that time, FCMAT recommended that the District follow through on proposed expenditure reductions immediately and through fiscal year 2020-21.

For further information on FCMAT's review of and conclusions regarding the District's financial condition, investors are directed to read the full version of the Fiscal Health Risk Analysis, which is publicly available on FCMAT's website at the following address: <http://www.fcmat.org/>. *The information referred to in the Fiscal Health Risk Analysis is prepared by FCMAT and not by the District, and the District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

The District included approximately \$10.9 million of budget reductions to its 2020-21 multi-year projections in its fiscal year 2019-20 adopted budget but was not successful in implementing additional reductions to the fiscal year 2019-20 budget.

In October 2019, the San Diego County Office of Education, as part of its fiscal oversight responsibilities, directed the District to cut \$19 million from its fiscal year 2020-21 budget, to be reflected in its fiscal year 2019-20 first interim report which is required to be delivered by December 15, 2019. As part of the planned budget reductions, the District intends to submit a proposed list of budget reductions to the Board for approval prior to December 15. Notwithstanding those intended reductions, the District expects to certify its 2019-20 first interim report with a qualified certification within the meaning of section 42133 of the Education Code.

General Fund Budget. The District's general fund adopted budgets for fiscal years 2015-16 through 2019-20, audited actuals for the fiscal years 2015-16 through 2017-18 and unaudited actual financial results for fiscal year 2018-19 are set forth on the following page.

**VISTA UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2019-20**

	Adopted Budget 2015-16 ¹	Audited Actuals 2015-16 ²	Adopted Budget 2016-17 ¹	Audited Actuals 2016-17 ²	Adopted Budget 2017-18 ¹	Audited Actuals 2017-18 ²	Adopted Budget 2018-19 ¹	Unaudited Actuals 2018-19 ³	Adopted Budget 2019-20 ³
REVENUES									
LCFF Sources	\$181,446,402	\$182,326,666	\$189,490,707	\$191,923,401	\$194,398,357	\$194,740,124	\$203,047,631	\$202,800,477	\$203,978,154
Federal	12,441,659	14,652,191	12,361,064	12,973,307	12,009,380	13,308,443	12,195,580	13,895,432	14,098,125
Other State	19,277,801	27,156,088	20,507,653	22,149,455	15,455,632	20,808,300	22,286,813	34,545,817	18,329,474
Other Local	<u>17,476,363</u>	<u>20,059,916</u>	<u>16,868,857</u>	<u>20,681,059</u>	<u>17,111,030</u>	<u>22,206,801</u>	<u>21,720,235</u>	<u>23,017,581</u>	<u>22,768,721</u>
Total Revenues	230,642,225	244,194,861	239,228,281	247,727,222	238,974,399	251,063,668	259,250,259	274,259,306	259,174,474
EXPENDITURES									
Current									
Certificated Salaries	107,986,219	108,219,238	114,834,939	113,466,313	110,403,013	115,475,540	117,956,209	116,318,376	110,949,153
Classified Salaries	37,512,397	39,557,295	40,494,220	42,171,470	40,935,063	42,905,966	43,595,518	44,995,218	42,757,047
Employee Benefits	49,010,364	53,131,475	61,046,132	59,539,531	63,904,542	64,587,140	71,204,317	79,382,400	72,494,528
Books and Supplies	8,311,252	10,005,978	11,195,497	10,308,891	10,069,790	10,120,840	9,474,456	8,334,872	9,322,183
Services, Other									
Operating Expenses	23,658,212	24,705,230	23,836,278	23,629,651	18,323,126	24,766,952	20,048,288	25,143,253	24,082,164
Other Outgo	1,813,593	1,162,899	1,691,798	1,444,512	1,771,304	2,546,244	3,053,393	2,188,612	2,231,124
Other Outgo Transfers of Indirect Costs	(484,893)	--	(618,365)	--	(688,095)	(627,238)	(811,491)	(720,072)	(795,472)
Capital outlay	2,768,774	3,819,485	1,878,558	3,837,101	2,835,316	4,743,060	2,035,327	4,620,478	1,520,875
Debt Service – Principal	--	307,772	--	218,912	--	222,918	--	--	--
Debt Service – Interest	--	53,821	--	20,886	--	16,881	--	--	--
Total Expenditures	230,575,918	240,963,193	254,359,057	254,637,267	247,554,059	264,758,303	266,556,017	280,262,137	262,561,602
Excess (Deficiency) Of Revenues Over (Under) Expenditures	66,307	3,231,668	(15,130,776)	(6,910,045)	(8,579,660)	(13,694,635)	(7,305,758)	(6,002,831)	(3,387,128)
OTHER FINANCING SOURCES (USES)									
Transfers in	265,000	314,999	200,000	216,670	200,000	45,077	200,000	42,542	1,450,000 ⁴
Transfers out	--	--	--	--	--	--	--	2,075	--
Sources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Financing Sources/(Uses)	265,000	314,999	200,000	216,670	200,000	45,077	200,000	40,467	1,450,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	331,307	3,546,667	(14,930,776)	(6,693,375)	(8,379,660)	(13,649,558)	(7,105,758)	(5,962,364)	(1,937,128)
Fund Balance, July 1	31,974,179	40,038,075	37,835,150	43,584,742	24,925,367	36,891,366	20,899,548	23,241,809	17,279,445
Fund Balance, June 30	\$32,305,486	\$43,584,742	\$22,904,374	\$36,891,367	\$16,545,707	\$23,241,809	\$13,593,790	\$17,279,445	\$15,342,317

¹ From the adopted budgets of the District for the stated fiscal year.

² From the audited financial statements of the District for the stated fiscal year.

³ From fiscal year 2018-19 unaudited actual financial report of the District.

⁴ Constitutes an interfund transfer in of \$1,400,000 from the Special Reserve Fund (Fund 40) and an interfund transfer in of \$50,000 from the Self-Insurance Fund (Fund 67).

Source: The District.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 1234 Arcadia Avenue, Vista, California 92084. See APPENDIX B hereto for the 2017-18 Audited Financial Statements of the District.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2015-16 to fiscal year 2017-18.

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VISTA UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2015-16 through 2017-18

	2015-16 Audit	2016-17 Audit	2017-18 Audit
REVENUES			
LCFF Sources	\$182,326,666	\$191,923,401	\$194,740,124
Federal Revenues	14,652,191	12,973,307	13,308,443
Other State Revenues	27,156,088	22,149,455	20,808,300
Other Local Revenues	<u>20,059,916</u>	<u>20,681,059</u>	<u>22,206,801</u>
TOTAL REVENUES	244,194,861	247,727,222	251,063,668
EXPENDITURES			
Instruction	152,771,124	159,364,109	165,363,343
Instruction-Related Activities	31,862,083	33,862,091	34,890,297
Pupil Services	17,531,868	19,483,189	19,476,738
Administration	11,126,169	12,631,471	12,485,614
Plant Services	19,906,924	21,202,077	21,489,564
Facilities Acquisition and Construction	2,509,963	2,690,465	--
Ancillary Services	1,227,442	1,234,636	1,204,004
Community Services	1,879,925	1,926,331	1,963,522
Other Outgo	1,786,102	2,003,100	2,902,362
Capital Outlay	--	--	4,743,060
Debt Service – Principal	307,772	218,912	222,918
Debt Service – Interest	<u>53,821</u>	<u>20,886</u>	<u>16,881</u>
TOTAL EXPENDITURES	240,963,193	254,637,267	264,758,303
Excess (Deficiency) of Revenues Over Expenditures	3,231,668	(6,910,045)	(13,694,635)
OTHER FINANCING SOURCES/USES			
Transfers in	314,999	216,670	45,077
Transfers out	<u>--</u>	<u>--</u>	<u>--</u>
NET FINANCING SOURCES (USES)	314,999	216,670	45,077
NET CHANGE IN FUND BALANCES	3,546,667	(6,693,375)	(13,649,558)
Fund Balance at Beginning of Year ⁽¹⁾	40,038,075	43,584,742	36,891,366
Fund Balance at End of Year ⁽¹⁾	\$43,584,742	\$36,891,367	\$23,241,808

⁽¹⁾ Fund balances shown above only include the general fund. The fund balances shown above differ from the fund balances in the table under “ – Budget Procedures” which include the deferred maintenance fund, the special reserve for other than capital outlay projects and special reserve for post-employment benefits.

Source: The District.

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Accounting Practices

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

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information.

2019-20 State Budget. On June 27, 2019, Governor Gavin Newsom signed the budget for the State for fiscal year 2019-20 (the "2019-20 State Budget"). Under the 2019-20 State Budget, general fund revenues and transfers are forecasted to total \$150.6 billion with expenditures reaching \$147.8 billion in fiscal year 2019-20. For fiscal year 2018-19, the 2019-20 State Budget includes revenues and transfers of \$149.5 billion, an increase of \$7.7 billion over the 2018-19 State Budget, and expenditures of \$143 billion, approximately \$5 billion greater than under the 2018-19 State Budget. The 2019-20 State Budget includes \$14.3 billion for reserves and paying down debts which will bring the Rainy Day Fund to \$16.5 billion at the end of fiscal year 2019-20. The 2019-20 State Budget also includes a \$4.3 billion supplemental contribution to pay down the State's share of unfunded PERS liabilities and STRS liabilities. Current assumptions provide that the school district contribution rate to STRS would decrease from 18.13% to 16.7% in fiscal year 2019-20 and from 19.1% to 18.1% in fiscal year 2020-21 as a result of such one-time payment. See "VISTA UNIFIED SCHOOL DISTRICT - District Retirement Systems" herein.

The 2019-20 State Budget allocates total K-12 funding of \$103.4 billion (\$58.8 billion in Proposition 98 funds and \$44.6 billion other funds). Total per-pupil funding would reach \$17,423 in 2019-20 from all sources. LCFF funding includes an additional \$1.9 billion in the form of a 3.26% COLA.

Significant features of the 2019-20 State Budget pertaining to K-12 education are as follows:

- Charter School Regulation — accountability requirements for charter schools to align governance, transparency and accountability requirements of school districts and charter schools.
- Special Education— \$645.3 million Proposition 98 funds for special education allocated among school districts based on children ages 3 to 5 years old with exception needs served by a school district.
- Proposition 51 Bond Funds — \$1.5 billion in bond funds to support school construction projects including new construction, modernization, retrofitting, career technical education, and charter school facility projects.
- Proposition 98 Settle-Up — \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funds owed through 2017-18.
- Kindergarten Facilities — \$300 million one-time non-Proposition 98 funds to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

- New Teacher Grants — \$89.8 million one-time non-Proposition 98 funds to provide grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years.
- After School Education and Safety Program (“ASES”) — \$50 million ongoing Proposition 98 funds to provide an increase of approximately 8.3% to the per-pupil daily rate for ASES.
- Educator Workforce Grants — \$37.1 million for the Educator Workforce Investment Grants for professional development in the following areas i) \$22.1 million for social emotional learning, computer science, restorative practices, and ethnic studies; ii) \$10 million implementation of the English-Learner Roadmap; iii) \$5 million for special education and inclusive practices.
- 21st Century California Leadership Academy — \$13.8 million federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.
- Classified Employees Summer Assistance Program — \$36 million one-time Proposition 98 funds to provide a state match for classified employee savings used to provide income during summer months.
- Broadband Infrastructure — \$7.5 million one-time non-Proposition 98 funds for broadband infrastructure.
- Longitudinal Data System — \$10 million one-time non-Proposition 98 funds to plan for and develop a longitudinal data system to track impacts of investments in educational goals.

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control. The Bonds are secured by *ad valorem* taxes levied upon real property within the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

Article XIII A of the State Constitution (“Article XIII A”) limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the County assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain

circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations” herein.

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

Legislation Implementing Article XIII A

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 statewide ballot (the “2020 Ballot Measure”). If approved by a majority of voters casting a ballot at the November 2020 statewide election, the 2020 Ballot measure would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State general fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding that school districts and community college districts receive under the State’s constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the County by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

Article XIII B of the California Constitution

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

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution

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

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a

two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned

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

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

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

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

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABX1 26, a trailer bill to the 2011-12 State budget, to

be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABX1 27, a companion bill to ABX1 26, violated the California Constitution, as amended by Proposition 22. ABX1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. ABX1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABX1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABX1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other “enforceable obligations” (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its revenue limit apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98” and “—Proposition 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases were deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA were and will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive

less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired at the end of 2016.

Proposition 51

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

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

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

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

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 (“Proposition 2”), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves

be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account (“BSA”). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 Public School System Stabilization Account which serves as a reserve account for school funding in years when the State budget is smaller.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district’s ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state’s minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district’s ending fund balances if a certain amount of funds is available in the State’s PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES—Proposition 98”), a school district’s adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. At June 30, 2018 and June 30, 2019, the District had unassigned available reserves, including its reserves for economic uncertainty, of \$7,942,749 and \$10,543,406, respectively. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District’s current policies on reserves.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

VISTA UNIFIED SCHOOL DISTRICT

Introduction

The District was formed in 1936 and encompasses approximately 39 square miles in the northern region of San Diego County, approximately 40 miles north of downtown San Diego, with a population of about 158,000 residents. The District consists of the city of Vista as well as portions of the cities of Oceanside, Carlsbad and San Marcos as well as unincorporated area of the County. The District provides education services in 29 schools including sixteen elementary schools, five middle schools, three comprehensive high schools, two alternative high schools, one blended learning/independent study middle/high school, one adult education school and one adult transition center servicing students with special needs. In addition, the District is the chartering agency for five charter schools within the District, and there are three independent charter schools operating within the District's boundaries that are approved and overseen by other entities. The charter schools are not included in the District's financial statements and the students that attend the charter schools are not counted for purposes of the District's enrollment or attendance. The District's budgeted ADA for fiscal year 2019-20 is 19,365 students and the District has a 2019-20 total assessed valuation of \$18,847,655,805. The District's audited financial statements for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX B.

Board of Education

The District is governed by a Board of Education ("Board"), which consists of five members who are elected by trustee area to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

VISTA UNIFIED SCHOOL DISTRICT Board of Education

Name	Office	Term Expires December
Rosemary Smithfield	President	2020
Cipriano Vargas	Vice President	2020
Debbie Morton	Clerk	2022
Rich Alderson	Member	2020
Martha Alvarado	Member	2022

Source: The District.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and

subsequent audited financial statements of the District may be obtained by contacting: Vista Unified School District, 1234 Arcadia Avenue, Vista, California 92084, Attention: Assistant Superintendent, Business Services. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of the District and brief biographies of certain District administrators follow.

Name	Title
Matt Doyle, Ed.D.	Superintendent
Ami Shackelford	Assistant Superintendent, Business Services
Matthew Steitz, Ed.D.	Assistant Superintendent, Educational Excellence
Rachel D'Ambroso	Assistant Superintendent, Human Relations

Matt Doyle, Ed.D. – Superintendent. Dr. Matthew Doyle was appointed the Superintendent of the District in October 2019. Previously, Dr. Doyle served as the District's Assistant Superintendent of Innovation from 1992 to 2019, where he facilitated, designed, and implemented the District's strategic plan, the Blueprint for Educational Excellence and Innovation, in response to State of California LCAP funding provisions. Dr. Doyle has spent 30 years in education as a teacher, site administrator, district administrator and county administrator. He earned his Doctorate Degree in Educational Leadership and Administration from Capella University, his Master's Degree in Education Administration from National University, and his Bachelor's Degree in Education from San Diego State University.

Ami Shackelford – Assistant Superintendent, Business Services. Ami Shackelford has served as the Assistant Superintendent, Business Services of the District since July, 2019. Ms. Shackelford previously served as the Assistant Superintendent of Business Services for Encinitas Union School District from July 2016 to June 2019 and as the Chief Financial Officer for Alvord Unified School District from June 2014 to June 2016. Prior to Alvord Unified, she was the Director of Budget Development for six years at San Diego Unified School District. Ms. Shackelford has more than ten years' experience as an administrator in education for California public schools and over 20 years' experience in finance. She earned her Bachelor's Degree and MBA from Schiller International University, her Masters of Science Graduate Certificate in Accounting from University of Phoenix, and her CBO Certification from the California Association of School Business Officials.

In September, 2019, the Board placed the former superintendent on administrative leave from the District and appointed Dr. Matthew Doyle, the District's Assistant Superintendent of Innovation, as the Acting Superintendent. On October 17, 2019, the Board appointed Dr. Doyle to the position of Superintendent.

Employees and Labor Relations

The District employs approximately 1,287 full-time equivalent certificated academic professionals as well as approximately 1,028 full-time equivalent classified employees.

The certificated employees of the District have assigned the Vista Teacher's Association ("VTA") as their exclusive bargaining agent and the contract between the District and VTA expires on June 30, 2020.

The classified employees have assigned California School Employees Association Chapter 389 (“CSEA”) as their exclusive bargaining agent. The contract among the District and CSEA expires June 30, 2022.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. The District is currently required by such statutes to contribute 17.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.328% of teacher payroll for fiscal year 2019-20. The State’s contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, over the three year period from 2014-15 through 2017-18. The State’s total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, school districts’ employer contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

SCHOOL DISTRICT EMPLOYER CONTRIBUTION RATES State Teachers’ Retirement Fund

Effective Date (July 1)	School District Contribution Rate to STRS
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	18.40*

* The 2019-20 State Budget provided supplemental payments to STRS by the State which reduces the school district contribution rate under A.B. 1469.

The District contributed \$8,644,848 to STRS for fiscal year 2014-15, \$11,355,029 for fiscal year 2015-16, \$14,296,861 for fiscal year 2016-17 and \$16,477,388 for fiscal year 2017-18. Such contributions were equal to 100% of the required contributions for the respective years. The District contributed (including State on behalf of payments) \$35,483,109 for fiscal year 2018-19 and has budgeted a contribution (including State on behalf of payments) of \$27,349,583 for fiscal year 2019-20. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 19.721% of eligible salary expenditures for fiscal year 2019-20, while participants enrolled in PERS (whether enrolled prior to or subsequent to January 1, 2013) contribute 7% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board of Administration. See "DISTRICT FINANCIAL INFORMATION- State Budget Measures" herein.

The District contributed \$4,488,450 to PERS for fiscal year 2014-15, \$4,646,699 for fiscal year 2015-16, \$5,552,847 for fiscal year 2016-17 and \$6,197,153 for fiscal year 2017-18, which amounts equaled 100% of required contributions to PERS. The District contributed (including State on behalf of payments) \$10,125,240 for fiscal year 2018-19 and has budgeted a contribution (including State on behalf of payments) of \$8,952,739 for fiscal year 2019-20.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and

participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2018.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2018
(Dollar Amounts in Millions)⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Market Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$92,071	\$64,846	(\$27,225)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	297,603	190,451	(107,152)

⁽¹⁾ Amounts may not add due to rounding.

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

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See “—California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27

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

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2018, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	\$198,779,817
PERS	<u>74,316,481</u>
Total	\$273,096,298

Source: The District.

For further information about the District's contributions to STRS and PERS, see Note 8 in the District's audited financial statements for fiscal year ended June 30, 2018 attached hereto as Appendix B.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which the District implemented in fiscal year 2017-18.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District provides Health & Welfare Benefits to classified employees and their dependents who retire from the District on or after age 55 with at least 10 years of service to the District until age 65, to certificated employees who retire from the District on or after age 55 with at least 10 years of service to the District until age 65 and to management and other eligible retirees who retire from the District on or after age 55 with at least 10 years of service to the District until age 65. Health & Welfare Benefits provided to the dependents of certificated employees, management and other eligible retirees ceases upon the death of the retiree or when the retiree reaches age 68. The level of Health & Welfare Benefits provided varies by

employee type and retirement date. At June 30, 2018, 5 retirees met these qualifications with 376 employees earning service credit towards eligibility.

The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2018.

VISTA UNIFIED SCHOOL DISTRICT
Health & Welfare Benefit Liability

Balance at June 30, 2017	\$35,045,333
Changes for the year:	
Service Cost	2,136,132
Interest	1,226,930
Benefit Payments	(2,190,596)
Net Changes	1,172,466
Balance at June 30, 2018	\$36,217,799

Source: The District.

Risk Management

The District is a member of Southern California Regional Liability Excess Fund ("SCRLEF") and Protected Insurance Program for Schools ("PIPS") which are joint powers authorities that provide various types of insurance to its members as requested. SCRLEF provides property liability coverage and PIPS provides workers' compensation coverage to the District. The District pays an annual premium to the applicable entity for its workers' compensation and property liability coverage. During the year ended June 30, 2018, the District made payments of \$5,328,858 and \$1,195,843 to SCRLEF and PIPS, respectively.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverage for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Debt Structure

Short-Term Debt. The District participated in the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program. The 2019-20 Tax and Revenue Anticipation Notes (the "2019-20 Notes") were issued on July 30, 2019 in the aggregate principal amount of \$97,015,000 with an interest rate of 4.00%. The District's share of the 2019-20 Notes is \$30,000,000. The 2019-20 Notes mature on June 30, 2020.

Long-Term Debt. A schedule of the District's changes in long-term debt for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Balance Due In One Year
General Obligation Bonds					
Principal	\$96,229,882	--	\$5,485,000	\$90,744,882	\$5,995,000
Accreted Interest	7,614,959	\$ 854,820	--	8,469,779	--
Premium	11,932,393	--	1,071,291	10,861,102	--
Total General Obligation Bonds	115,777,234	854,820	6,556,291	110,075,763	5,995,000
Capital Leases	1,881,762	--	728,612	1,153,150	742,522
Certificates of Participation	2,710,000	--	400,000	2,310,000	415,000
Retirement Incentive	8,885,944	--	1,791,157	7,094,787	1,773,697
Childcare facility loan	112,000	--	28,000	84,000	28,000
Total OPEB liability	35,045,333	1,172,466	--	36,217,799	--
Net pension liability	234,050,038	39,045,912	--	273,096,298	--
Compensated absences ⁽¹⁾	<u>1,675,535</u>	<u>215,506</u>	<u>--</u>	<u>1,891,041</u>	<u>1,891,041</u>
Total governmental activities	\$400,138,194	\$41,288,704	\$9,504,060	\$431,922,838	\$10,845,260

⁽¹⁾ Other long-term liabilities.

Source: The District.

General Obligation Bonds

On March 5, 2002, the District received authorization from the voters within the District to issue \$140,000,000 aggregate principal amount of general obligation bonds (the "2002 Authorization"). On May 30, 2002, the District caused the issuance of its \$92,000,540.85 Election of 2002 General Obligation Bonds, Series 2002A (the "2002A Bonds"); on January 7, 2004, the District caused the issuance of its \$20,359,341 Election of 2002 General Obligation Bonds, Series 2003B (the "2002B Bonds"); and on July 10, 2007, the District caused the issuance of its \$27,640,000 Election of 2002 General Obligation Bonds, Series C (the "2002C Bonds"), all under the 2002 Authorization. On October 2, 2012, the District issued its \$56,480,000 2012 General Obligation Refunding Bonds to refund a portion of the 2002A Bonds and a portion of the 2002B Bonds. On October 20, 2015, the District issued its \$42,060,000 General Obligation Refunding Bonds to refund a portion of the 2002C Bonds. No further general obligation bonds remain for issuance under the 2002 Authorization, other than refunding bonds. The District intends to apply the net proceeds of the Bonds to refund a portion of the 2012 Refunding Bonds, as described herein.

On November 6, 2018, the District received authorization from the voters within the District to issue \$247,000,000 aggregate principal amount of bonds (the "2018 Authorization"). On June 6, 2019, the District issued its \$56,500,000 General Obligation Bonds, 2018 Election, 2019 Series A (the "2019A Bonds"). \$190,500,000 aggregate principal amount of bonds remains for issuance pursuant to the 2018 Authorization.

See "DEBT SERVICE SCHEDULE" for the debt service payments to be made on all of the District's outstanding general obligation bonds.

Certificates of Participation

In May 1998, the District executed and delivered \$7,610,000 aggregate principal amount of its Certificates of Participation (1998 Financing Project) (the "1998 Certificates") in order to finance capital

improvements for the District. The 1998 Certificates are currently outstanding in the aggregate principal amount of \$2,310,000.

The remaining annual lease payments with respect to the 1998 Certificates assuming no prepayment are as follows:

<u>Year Ending June 30</u>	<u>Annual Lease Payments</u>
2020	\$ 537,119
2021	534,569
2022	535,994
2023	<u>536,138</u>
Total	\$2,143,820

Source: The District.

Capital Leases

The District has entered into various leases for equipment that provide for title to pass to the District upon expiration of the lease term. The District's liability on such capital leases is shown in the table below:

	<u>Technology</u>	<u>Buses</u>	<u>Total</u>
Balance, July 1, 2017	\$1,107,029	\$847,194	\$1,954,223
Payments	<u>553,515</u>	<u>211,799</u>	<u>765,314</u>
Balance, June 30, 2018	\$ 553,514	\$635,395	\$1,188,909

Source: The District.

The capital leases have minimum annual payments as follows:

<u>Year ending June 30</u>	<u>Lease Payment</u>
2020	\$211,798
2021	<u>211,798</u>
Total	\$423,596

Source: The District.

Supplemental Early Retirement Plan

The District adopted a supplemental early retirement plan ("SERP") for eligible retirees to supplement PERS and STRS benefits. The SERP pays benefits for five years and was implemented for retirees in fiscal years 2010-11, 2011-12 and most recently, on June 19, 2017, the District offered the SERP and 182 employees participated. The District's outstanding balance with respect to the SERP as of June 30, 2018 was \$7,094,787.

The District makes annual payments of \$1,773,697 through 2022, at which point its obligations under the SERP will be fulfilled.

Child Care Facilities Revolving Loan

The California Department of Education ("CDE") granted an interest-free Child Care Facilities Revolving Fund loan in the amount of \$280,000 to the District to finance a relocatable building project.

The District makes annual repayment amounts of \$28,000. At June 30, 2018, the outstanding balance was \$84,000.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (Education Code Sections 47600-47663) to permit teachers, parents, students, and community members to establish schools that would operate in accordance with its charter, from most state and district regulations. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are exempt from state and local education rules and regulations, except as specified in the legislation. Charter schools may be approved by school districts, county boards of education, and the State Board of Education.

The District has certain fiscal oversight and other responsibilities with regard to charter schools it approves to operate within its boundaries. However, charter schools receive funding directly from the State, and such funding is not reported in the District's audited financial statements. The District has five District-approved charter schools currently operating within the District boundaries, as follows: Bella Mente Montessori Academy, Guajome Learning Center, Guajome Park Academy Charter, North County Trade Tech High and SIATech.

In addition, several other charter schools with some overlapping grade levels operate within District boundaries, including charter schools approved by the State Board of Education (Vista Springs Charter School) and the County Office of Education (Classical Academy-Vista and National University Dual Language Academy). The District does not oversee these charter schools, but their programs are open to enrollment by District students. Approximately 439 students residing within the District boundaries attend these three charter schools.

The following table shows enrollment figures for the District-approved Charter Schools for the past five fiscal years, and projected figures for fiscal year 2019-20.

DISTRICT-APPROVED CHARTER SCHOOLS ENROLLMENT **Fiscal Years 2014-15 through 2018-19** **Vista Unified School District**

<u>Fiscal Year</u>	<u>Enrollment at District-Approved Charter Schools</u>
2014-15	3,249
2015-16	3,303
2016-17	3,411
2017-18	3,307
2018-19	3,497
2019-20 ⁽¹⁾	3,493

⁽¹⁾ Projected.

Source: The District.

The District does not have enrollment information regarding County- or State-approved charter schools or any other charter schools located within its boundaries, and can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from charter schools, and the corresponding financial impact on the District.

SAN DIEGO COUNTY INVESTMENT POOL

The following information concerning the Treasury Pool of San Diego County (the “Treasury Pool”) has been provided by the Treasurer and has not been confirmed or verified by the District or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

In accordance with Government Code Section 53600 et seq., the Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53635 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

All investments in the County Treasurer’s investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the County Board of Supervisors and the Treasurer’s investment policy.

General

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into the County Treasury (“Involuntary Depositors”). In addition, certain agencies, such as cities and special districts, invest certain of their funds in the County Treasury on a voluntary basis (“Voluntary Depositors” and together with the Involuntary Depositors, the “Depositors”). Deposits made by the County and the various local agencies are commingled in the Treasury Pool. No particular deposits are segregated for separate investment.

Under State law, Depositors in the Treasury Pool are permitted to withdraw funds which they have deposited on 30 days’ notice. The County does not expect that the Treasury Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Treasury Pool.

The County has established an Oversight Committee pursuant to State law. The members of the Oversight Committee include the County Treasurer, the County Auditor–Controller, the County Superintendent of Schools or designee, a representative from the special districts, a representative from the school districts and community college districts in the County, and members of the public. The role of the Oversight Committee is to review and approve the Investment Policy that is prepared by the County Treasurer.

The Treasury Pool's Portfolio

As of August 31, 2019, the securities in the Treasury Pool had a market value of \$8,688,638,410 and a book value of \$8,637,808,837, for a net unrealized gain of \$50,829,573 of the book value of the Treasury Pool.

The effective duration for the Treasury Pool was 1.15 years as of August 31, 2019. “Duration” is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 1.15 means

that for every one percent increase in interest rates the market value of the portfolio would decrease by 1.15%.

As of August 31, 2019, approximately 7.99% of the total funds in the Treasury Pool were deposited by voluntary depositors, such as cities and fire districts, 9.24% by community colleges, 34.04% by the County, 1.24% by the Non-County and 47.49% by K-12 school districts.

Fitch Ratings maintains ratings of “AAAF” (highest underlying credit quality) and “S1” (very low sensitivity to market risk) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Fitch Ratings, Inc., 33 Whitehall Street, New York, New York 10004.

Investments of the Treasury Pool

Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related), pass-through securities, and specific Supranational debt securities

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. At all times, the Pool’s investments will comply with California Government Code and the County’s Investment Policy (the “Investment Policy”).

The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer’s control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a requirement that at least 35% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 15% of the securities must mature within 90 days. The maximum effective duration for the Treasury Pool is 2.0 years.

Certain Information Relating to Pool

The following table reflects information with respect to the Pool as of the close of business on August 31, 2019. As described above, a wide range of investments is authorized by state law. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on August 31, 2019, the Pool necessarily would have received the values specified.

**SAN DIEGO COUNTY INVESTMENT POOL
PORTFOLIO REVIEW FOR MONTH ENDED AUGUST 31, 2019**

Investment Type	Par Value	Book Value	Market Value	% of Portfolio
Asset Backed Securities	\$ 802,436,035	\$ 802,312,760	\$ 809,948,880	9.29%
Commercial Paper	1,321,000,000	1,318,481,856	1,318,585,320	15.26
Federal Agencies	2,890,746,000	2,893,341,749	2,906,394,254	33.50
Medium-Term Notes	780,154,000	781,520,878	788,928,286	9.05
Negotiable CDs	1,212,000,000	1,212,000,680	1,214,564,360	14.03
Supranationals	1,058,250,000	1,059,562,523	1,076,027,900	12.27
Treasury Coupon Securities	443,000,000	442,311,033	445,912,050	5.12
Money Market Accounts	102,400,000	102,400,000	102,400,000	1.19
Bank Deposits	18,578,293	18,578,293	18,578,293	0.22
Sweep Fund	7,299,067	7,299,067	7,299,067	0.08
Totals for August 2019	\$8,635,863,395	\$8,637,808,837	\$8,688,638,410	100.00%
Totals for July 2019	\$9,359,145,813	\$9,357,451,826	\$9,373,134,575	100.00%

The District has not made an independent investigation of the investments in the County Investment Pool and has made no assessment of the current County Investment Policy. The value of the various investments in the County Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the County Investment Pool will not vary significantly from the values described therein. See “APPENDIX E – SAN DIEGO COUNTY INVESTMENT POLICY STATEMENT.”

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 8 months following the end of the District’s fiscal year (currently ending June 30), which date would be March 1, 2020, commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District will enter into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Within the last five years, the District failed to timely file its audited financial statements for fiscal year 2013-14 and failed to properly file its audited financial statements for fiscal years 2015-16 and 2016-17 for certain obligations, without timely notice of late filing. In addition, the District failed to timely file certain information required to be filed in the District’s annual reports for fiscal years 2013-14 through 2016-17. The District filed notice of an April 10, 2019 underlying rating downgrade on May 14, 2019. The District has engaged Piper Jaffray & Co. to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, San Diego, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, the form of which is attached hereto as APPENDIX A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Kutak Rock LLP is acting as counsel to the Underwriter. The above professionals will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County Investment Pool, as described in “APPENDIX E - SAN DIEGO COUNTY INVESTMENT POLICY STATEMENT” attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Investment Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the District’s Debt Service Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of

the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

TAX MATTERS

The delivery of the Bonds is subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel’s anticipated opinion respecting the Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change. Interest on the Bonds is not excluded from gross income for federal income tax purposes.

LEGALITY FOR INVESTMENT

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

RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned its municipal bond rating of “A+” with a negative outlook to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

ESCROW VERIFICATION

The sufficiency of amounts on deposit in the Escrow Fund to pay interest on and the redemption price of the Refunded Bonds will be verified by Causey Demgen & Moore P.C., certified public accountants (the “Verification Agent”). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), has agreed to purchase the Bonds at the purchase price of \$_____ (reflecting the principal amount of the Bonds plus a net original issue premium in the amount of \$_____ less an Underwriter’s discount of \$_____), at the rates and yields shown on the inside cover pages hereof. The Underwriter may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the inside cover pages. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

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

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. A copy of the Resolution is available upon request from the Vista Unified School District, 1234 Arcadia Avenue, Vista, California 92084.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

VISTA UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Education
Vista Unified School District
1234 Arcadia Avenue
Vista, California 92084

Re: \$_____ Vista Unified School District (San Diego County, California) 2019 General
Obligation Refunding Bonds (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel for the Vista Unified School District (San Diego County, California) (the “District”), in connection with the issuance by the District of \$_____ aggregate principal amount of its 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), as amended, and that certain resolution adopted by the Board of Education of the District on October 17, 2019 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County of San Diego (the “County”) as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution

may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District.
2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.
3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
4. Interest on the Bonds is exempt from personal income taxes of the State of California.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

APPENDIX B

**VISTA UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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**COUNTY OF SAN DIEGO
VISTA, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Vista Unified School District
Audit Report
For The Year Ended June 30, 2018

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Vista Unified School District
Audit Report
For The Year Ended June 30, 2018

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Financial Section



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report

To the Board of Trustees
Vista Unified School District
Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vista Unified School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 opinions 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 District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vista Unified School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Vista Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and Schedule of Changes in the District's Total OPEB Liability And Related Ratios identified as Required Supplementary Information 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vista Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vista Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 11, 2018

VISTA UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Unaudited)

The discussion and analysis of Vista Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The increase in Local Control Funding Formula (LCFF) sources from 2016-17 to 2017-18 was \$2.8 million. The increase is due to the State of California funding some of the LCFF gap because of actual revenues outpacing all forecasts.
- The general fund expenditures increased by \$10.1 million or 3.9% over the previous year amount.
- General Fund expenses and other uses exceeded revenues and other sources by \$13.6 million.
- The General Fund ended the fiscal year with 5.7% reserves in unrestricted fund balance.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Vista Unified School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2017-2018?"

The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Fiduciary Funds

The District is the trustee, or fiduciary, for the student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was (\$42.4) million at June 30, 2018 and was largely due to the continuing recognition of the net pension liability. Of this amount, unrestricted net position was (\$225.8) million, net investment in capital assets was \$155.3 million, and restricted net position was \$28.1 million. A Comparative analysis of government-wide statement of net position is presented in Table 1.

The District's net position decreased \$33.1 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 81% of total expenses. The administrative activities of the District accounted for just 7% of total costs. The remaining 12% was spent in the areas of plant services and other expenses. (See Figure 2)

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	June 30, 2018	June 30, 2017
Assets		
Cash	\$ 51,063,862	\$ 61,353,554
Accounts receivable	8,655,502	11,580,991
Stores inventory	431,125	420,059
Capital assets, net	268,876,457	280,082,661
Total Assets	<u>\$ 329,026,946</u>	<u>\$ 353,437,265</u>
Deferred Outflows of Resources		
Deferred outflows of resources - OPEB	\$ 1,921,468	\$ 0
Deferred outflows of resources - pensions	116,843,234	59,890,203
Deferred outflows of resources - other	1,542,858	1,615,349
Total Deferred Outflows of Resources	<u>\$ 120,307,560</u>	<u>\$ 61,505,552</u>
Liabilities		
Accounts payable and other current liabilities	14,586,537	14,178,744
Unearned revenue	2,627,201	2,958,006
Long-term liabilities	431,922,838	384,732,583
Total Liabilities	<u>449,136,576</u>	<u>401,869,333</u>
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	<u>\$ 42,628,616</u>	<u>\$ 9,155,609</u>
Net Assets		
Net investment in capital assets	155,253,544	168,911,401
Restricted	28,078,057	25,702,149
Unrestricted	(225,762,287)	(190,695,675)
Total Net Position	<u>\$ (42,430,686)</u>	<u>\$ 3,917,875</u>

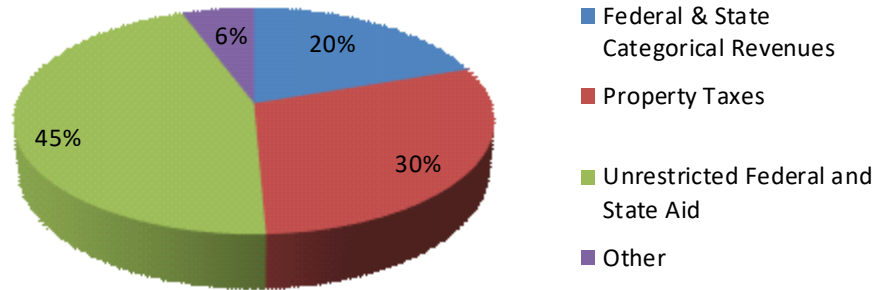
(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	June 30, 2018	June 30, 2017
Revenues		
Program revenues		
Charges for services	\$ 10,927,643	\$ 4,245,518
Operating grants	57,255,729	59,457,144
General revenues		
Taxes levied for general purposes	73,013,254	69,262,336
Taxes levied for debt service	10,102,130	9,380,270
Taxes levied for other specific purposes	2,527,095	2,271,820
Federal and state aid not restricted to specific purposes	130,406,854	131,888,335
Interest and investment earnings	953,976	485,604
Miscellaneous	4,546,951	6,205,499
Total Revenues	<u>289,733,632</u>	<u>283,196,526</u>
Expenses		
Instruction	191,535,645	188,871,141
Instruction related services	37,993,631	40,443,569
Pupil support services	31,851,669	32,266,237
General administration	14,765,721	14,075,980
Plant services	22,885,319	21,144,187
Other	23,835,197	14,529,689
Total Expenses	<u>322,867,182</u>	<u>311,330,803</u>
Increase (Decrease) in Net Position	(33,133,550)	(28,134,277)
Net Position - Beginning Balance	3,917,875	32,052,152
Adjustment for implementation of GASB 75	(13,215,011)	0
Net Position - Ending Balance	<u>\$ (42,430,686)</u>	<u>\$ 3,917,875</u>

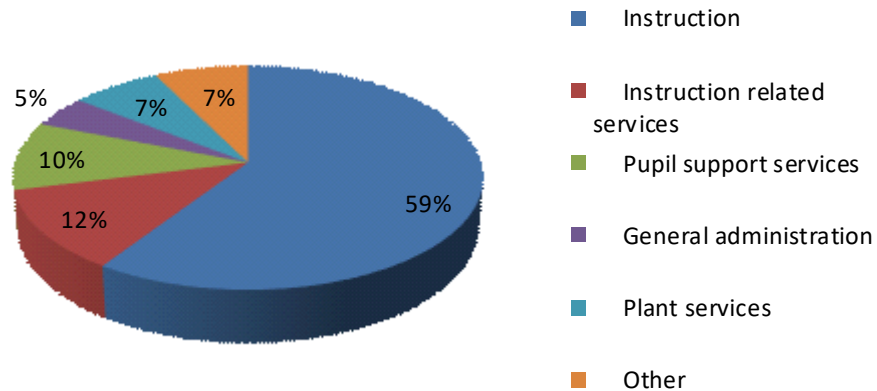
GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$322.9 million. The amount that our local taxpayers financed for these activities through property taxes was \$85.6 million. Federal and State aid not restricted to specific purposes totaled \$130.4 million. Operating grants and contributions revenue was \$57.3 million and covered 58.1% of the expenses of the entire District (See Figure 1).

**Sources of Revenue for the 2017-18
Fiscal Year - Figure 1**



Expenses for the 2017-18 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$44.5 million, a decrease of \$11.6 million from the previous fiscal year's combined ending balance of \$56.1 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$13.7 million.

The District ended the year with a \$13.7 million decrease to the general fund ending balance. The State recommends available reserves of 3% of District expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. Table 3 demonstrates a comparative Schedule of Capital Assets.

(Table 3)
Comparative Schedule of Capital Assets
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 51,305,752	\$ 51,305,752	\$ 0	0.0%
Work in Progress	484,244	142,405	341,839	240.0%
Land Improvements	30,777,967	30,058,996	718,971	2.4%
Buildings & Improvements	401,454,703	397,633,362	3,821,341	1.0%
Equipment	40,549,354	38,675,863	1,873,491	4.8%
Less Accumulated Depreciation for				
Land Improvements	(14,343,018)	(13,175,638)	(1,167,380)	8.9%
Buildings & Improvements	(208,863,521)	(194,450,614)	(14,412,907)	7.4%
Equipment	<u>(32,489,024)</u>	<u>(30,107,465)</u>	<u>(2,381,559)</u>	<u>100.0%</u>
Total	<u>\$ 268,876,457</u>	<u>\$ 280,082,661</u>	<u>\$ (11,206,204)</u>	<u>-4.0%</u>

Long-Term Debt

At June 30, 2018 the District had \$120.7 million in long-term debt outstanding. Table 4 shows a comparative schedule of long-term debt items.

(Table 4)
Comparative Schedule of Long-Term Debt
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
General Obligation Bonds	\$ 110,075,763	\$ 115,777,234	\$ (5,701,471)	-4.9%
Capital Lease Obligation	1,153,150	1,881,762	(728,612)	-38.7%
Certificates of Participation	2,310,000	2,710,000	(400,000)	-14.8%
Retirement Incentive	7,094,787	8,885,944	(1,791,157)	-20.2%
Child Care Facility Loan	<u>84,000</u>	<u>112,000</u>	<u>(28,000)</u>	<u>-25.0%</u>
Total Long-Term Debt	<u>\$ 120,717,700</u>	<u>\$ 129,366,940</u>	<u>\$ (8,649,240)</u>	<u>-6.7%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturns and surpluses impact the District's future dramatically. The financial well-being of the District is tied in large measure to the state funding formula which is currently not funding the District at 100%.

The latest enrollment projections indicate a downward trend for the next two school years. Student enrollment and attendance are primary factors in the computation of most funding formulae for public schools in the State of California. While ADA growth is not budgeted until realized in the fall, future growth potential is there, but attendance remains the focal point of every budget report.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout. The District has an excellent track record in meeting this challenge in what has proven to be a long cycle of lean years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Donna Caperton, Assistant Superintendent – Business Services, at Vista Unified School District, 1234 Arcadia Avenue, Vista, California 92084, or e-mail at donnacaperton@vistausd.org.

Basic Financial Statements

VISTA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	\$ 51,063,862
Receivables	8,655,502
Stores Inventory	431,125
Capital Assets:	
Land	51,305,752
Improvements	30,777,967
Buildings	401,454,703
Equipment	40,549,354
Work in Progress	484,244
Less Accumulated Depreciation	(255,695,563)
Total Assets	<u>329,026,946</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>120,307,560</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	14,586,537
Unearned Revenue	2,627,201
Long-Term Liabilities:	
Due Within One Year	10,845,260
Due in More Than One Year	421,077,578
Total Liabilities	<u>449,136,576</u>
DEFERRED INFLOWS OF RESOURCES	<u>42,628,616</u>
NET POSITION	
Net Investment in Capital Assets	155,253,544
Restricted for:	
Capital Projects	5,942,405
Debt Service	10,052,429
Educational Programs	5,267,651
Other Purposes (Expendable)	6,133,947
Other Purposes (Nonexpendable)	681,625
Unrestricted	(225,762,287)
Total Net Position	<u>\$ (42,430,686)</u>

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					Governmental Activities
Instruction	\$ 191,535,645	\$ 1,224,346	\$ 31,403,737	\$ -	\$ (158,907,562)
Instruction-Related Services:					
Instructional Supervision and Administration	14,408,486	202,944	4,175,428	-	(10,030,114)
Instructional Library, Media and Technology	2,538,913	54,842	260,457	-	(2,223,614)
School Site Administration	21,046,232	20,822	1,618,821	-	(19,406,589)
Pupil Services:					
Home-to-School Transportation	4,676,171	-	55,518	-	(4,620,653)
Food Services	10,672,509	1,752,466	9,411,722	-	491,679
All Other Pupil Services	16,502,989	27,581	2,860,356	-	(13,615,052)
General Administration:					
Centralized Data Processing	666,499	-	-	-	(666,499)
All Other General Administration	14,099,222	171,062	1,851,467	-	(12,076,693)
Plant Services	22,885,319	71,045	2,552,558	-	(20,261,716)
Ancillary Services	1,429,850	3,314	27,289	-	(1,399,247)
Community Services	2,123,598	446,657	1,283,954	-	(392,987)
Self-Insured Activities	6,524,701	6,580,929	-	-	56,228
Interest on Long-Term Debt	5,998,598	-	-	-	(5,998,598)
Other Outgo - Transfers Between Agencies	7,394,103	371,635	1,754,422	-	(5,268,046)
Other Outgo - Debt Service Issuance Costs	364,347	-	-	-	(364,347)
Total Expenses	\$ 322,867,182	\$ 10,927,643	\$ 57,255,729	\$ -	\$ (254,683,810)

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	73,013,254
Taxes Levied for Debt Service	10,102,130
Taxes Levied for Other Specific Purposes	2,527,095
Federal and State Aid Not Restricted to Specific Programs	130,406,854
Interest and Investment Earnings	953,976
Miscellaneous	4,546,951

Total General Revenues \$ 221,550,260

Change in Net Position (33,133,550)

Net Position Beginning - As Restated (Note R) (9,297,136)

Net Position Ending \$ (42,430,686)

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 29,328,318	\$ 9,512,070	\$ 10,022,489	\$ 48,862,877
Cash on Hand and in Banks	1,085	-	56,898	57,983
Cash in Revolving Fund	250,000	-	500	250,500
Cash with a Fiscal Agent/Trustee	10,000	-	540,359	550,359
Accounts Receivable	5,928,596	-	2,721,312	8,649,908
Due from Other Funds	713,088	-	20,620	733,708
Stores Inventories	109,502	-	321,623	431,125
Total Assets	<u>36,340,589</u>	<u>9,512,070</u>	<u>13,683,801</u>	<u>59,536,460</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 10,020,732	\$ -	\$ 1,172,426	\$ 11,193,158
Due to Other Funds	461,348	-	730,172	1,191,520
Unearned Revenue	2,616,701	-	10,500	2,627,201
Total Liabilities	<u>13,098,781</u>	<u>-</u>	<u>1,913,098</u>	<u>15,011,879</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	250,000	-	500	250,500
Stores Inventories	109,502	-	321,623	431,125
Restricted Fund Balances	7,679,892	9,512,070	10,204,470	27,396,432
Assigned Fund Balances	-	-	1,244,110	1,244,110
Unassigned:				
Reserve for Economic Uncertainty	7,942,749	-	-	7,942,749
Other Unassigned	7,259,665	-	-	7,259,665
Total Fund Balance	<u>23,241,808</u>	<u>9,512,070</u>	<u>11,770,703</u>	<u>44,524,581</u>
Total Liabilities and Fund Balances	<u>\$ 36,340,589</u>	<u>\$ 9,512,070</u>	<u>\$ 13,683,801</u>	<u>\$ 59,536,460</u>

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total fund balances - governmental funds balance sheet \$ 44,524,581

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

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

Capital assets relating to governmental activities, at historical cost:	524,572,020	
Accumulated depreciation:	(255,695,563)	
Net:		268,876,457

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (3,393,379)

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

General obligation bonds payable	110,075,763	
Certificates of participation payable	2,310,000	
Capital leases payable	1,153,150	
Child care facility loan payable	84,000	
Retirement incentive payable	7,094,787	
Net pension liability	273,096,298	
Total OPEB liability	36,217,799	
Compensated absences payable	1,891,041	
Total:		(431,922,838)

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 1,542,858

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

Deferred outflows of resources relating to pensions	116,843,234
Deferred inflows of resources relating to pensions	(42,628,616)

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred outflows of resources relating to OPEB	1,921,468
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Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

1,805,549

Net position of governmental activities - Statement of Net Position

\$ (42,430,686)

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 101,983,560	\$ -	\$ -	\$ 101,983,560
Education Protection Account Funds	28,812,450	-	-	28,812,450
Local Sources	63,944,114	-	-	63,944,114
Federal Revenue	13,308,443	-	11,151,677	24,460,120
Other State Revenue	20,808,300	90,924	8,373,945	29,273,169
Other Local Revenue	22,206,801	10,089,471	5,696,600	37,992,872
Total Revenues	<u>251,063,668</u>	<u>10,180,395</u>	<u>25,222,222</u>	<u>286,466,285</u>
Expenditures:				
Current:				
Instruction	165,363,343	-	2,603,825	167,967,168
Instruction - Related Services	34,890,297	-	1,265,738	36,156,035
Pupil Services	19,476,738	-	10,447,485	29,924,223
Ancillary Services	1,204,004	-	-	1,204,004
Community Services	1,963,522	-	-	1,963,522
General Administration	12,485,614	-	892,764	13,378,378
Plant Services	21,489,564	-	439,773	21,929,337
Other Outgo	2,902,362	-	4,856,088	7,758,450
Capital Outlay	4,743,060	-	2,012,583	6,755,643
Debt Service:				
Principal	222,918	5,485,000	933,694	6,641,612
Interest	16,881	4,271,119	126,864	4,414,864
Total Expenditures	<u>264,758,303</u>	<u>9,756,119</u>	<u>23,578,814</u>	<u>298,093,236</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,694,635)</u>	<u>424,276</u>	<u>1,643,408</u>	<u>(11,626,951)</u>
Other Financing Sources (Uses):				
Transfers In	45,077	-	507,043	552,120
Transfers Out	-	-	(507,043)	(507,043)
Total Other Financing Sources (Uses)	<u>45,077</u>	<u>-</u>	<u>-</u>	<u>45,077</u>
Net Change in Fund Balance	(13,649,558)	424,276	1,643,408	(11,581,874)
Fund Balance, July 1	36,891,366	9,087,794	10,127,295	56,106,455
Fund Balance, June 30	<u>\$ 23,241,808</u>	<u>\$ 9,512,070</u>	<u>\$ 11,770,703</u>	<u>\$ 44,524,581</u>

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ (11,581,874)

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

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

Expenditures for capital outlay:	6,755,642	
Depreciation expense:	(17,961,846)	
Net:		(11,206,204)

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

6,641,612

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

(2,582,538)

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

(215,506)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(15,565,888)

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(1,441,594)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

1,791,157

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:

998,800

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

28,485

Change in net position of governmental activities - Statement of Activities

\$ (33,133,550)

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2018

Internal Service
FundSelf-Insurance
Fund**ASSETS:**

Current Assets:

Cash in County Treasury

\$ 1,342,145

Accounts Receivable

5,593

Due from Other Funds

457,811

Total Current Assets

1,805,549

Total Assets

1,805,549

LIABILITIES:

Total Liabilities

-

NET POSITION:

Unrestricted

\$ 1,805,549

Total Net Position

\$ 1,805,549

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund
	<hr/>
	Self-Insurance Fund
	<hr/>
Operating Revenues:	
Local Revenue	\$ 6,598,263
Total Revenues	<hr/> 6,598,263
Operating Expenses:	
Services and Other Operating Expenses	6,524,701
Total Expenses	<hr/> 6,524,701
Income (Loss) before Contributions and Transfers	73,562
Interfund Transfers Out	(45,077)
Change in Net Position	<hr/> 28,485
Total Net Position - Beginning	1,777,064
Total Net Position - Ending	<hr/> <hr/> \$ 1,805,549

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ 6,712,482
Cash Payments to Other Suppliers for Goods and Services	(6,524,701)
Net Cash Provided (Used) by Operating Activities	<u>187,781</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	15,291
Net Cash Provided (Used) for Investing Activities	<u>15,291</u>
Net Increase (Decrease) in Cash and Cash Equivalents	203,072
Cash and Cash Equivalents at Beginning of Year	1,139,073
Cash and Cash Equivalents at End of Year	<u>\$ 1,342,145</u>
Reconciliation of Operating Income to Net Cash Provided by Operating & Investing Activities:	
Operating Income (Loss)	\$ 28,485
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(2,043)
Decrease (Increase) in Due from Other Funds	176,630
Total Adjustments	<u>174,587</u>
Net Cash Provided (Used) by Operating & Investing Activities	<u>\$ 203,072</u>

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash in Banks	\$ 1,106,275
Total Assets	<u>1,106,275</u>
LIABILITIES:	
Due to Student Groups	\$ 1,106,275
Total Liabilities	<u>1,106,275</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

Vista Unified School District (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 accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

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

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental reporting "entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

2. Component Units

The Vista Unified School District Improvement Corporation (the Corporation) has a financial and operational relationship which meets the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation has been included in the basic financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District and the Corporation which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

Manifestation of Oversight

- a. Decisions made for the Corporation are made by the District's Board of Education.
- b. The Corporation has no employees. The District's Superintendent, Assistant Superintendent of Business Services, and other employees of the District function as agents of the Corporation. None of the aforementioned individuals receive additional compensation for work performed in this capacity.
- c. The District exercises significant influence over operations of the Corporation.

Accounting and Fiscal Matters

- a. All major financing arrangements, contracts, and other transactions of the Corporation must have consent of the District.

Scope of Public Service and Financial Presentation

- a. The Corporation was created for the sole purpose of financially assisting the District.
- b. The Corporation was created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority (CSCDA), pursuant to the California Government Code, commencing with Section 6500. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

- c. The Corporation's financial activity is presented in the financial statements in the Debt Service Fund for Blended Component Units. Debt issued by the Corporation is included in the government-wide financial statements.

3. Other Related Entities

The District has approved charters for Bella Mente Montessori Academy, Guajome Park Academy, Guajome Learning Center, North County Trade Tech High School, and School for Integrated Academics and Technologies pursuant to Education Code Section 47605. All of the Charter Schools are not operated by the District, and their financial activities are not presented in the District's financial statements. The Charter Schools are operated by separate governing boards and are not considered component units of the District. The Charter Schools receive state and federal funds for specific purposes that are subject to review and audit by the grantor agencies.

4. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Bond Interest and Redemption Fund. This is the District's fund used for the collection of taxes levied for debt service and the repayment of bonds issued by the District (Education Code Sections 15125-15262).

In addition, the District reports the following fund types:

Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

5. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

6. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

7. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

8. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the District maintains substantially all 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 market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. 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 Section 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.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	20 - 50
Land Improvements	20 - 50
Furniture, Equipment, & Vehicles	5 - 15

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

e. Unearned Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. 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.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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.

i. Minimum Fund Balance

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against any revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than five percent of General Fund expenditures and other financing uses.

9. 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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

12. 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.

13. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note O. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note R.

GASB 81 - Irrevocable Split-Interest Agreements

The primary objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 86 - Certain Debt Extinguishment Issues

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$50,205,022 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$50,205,022. 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. All amounts on deposit with the County Treasury are available for withdrawal on demand.

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. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$1,164,258 as of June 30, 2018) and in the revolving fund (\$250,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

3. Cash with Fiscal Agent

The District's cash with fiscal agent at June 30, 2018 are shown below.

Account Type	Maturity	Fair Value
Interest Bearing Checking Account	<30 Days	\$ 10,000
US Bank Investment Agreement	04/15/2023	540,359
Total Cash with Fiscal Agent		<u>\$ 550,359</u>

4. Investments

The District invests blended component unit reserve funds with US Bank in the Ixis Funding Corp Investment Agreement dated 05/14/1998 with a final maturity on 04/15/2023.

The District reports these investments at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the investment based on the best information available.

The following table presents investments measured at fair value on a recurring basis at June 30, 2018:

Investment	Total	Level 1	Level 2	Level 3
Ixis Funding Corp. Investment Agreement	\$ 540,359	\$ -	\$ 540,359	\$ -

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

5. 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 investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. 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 or 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 Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

6. 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 other 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 was not exposed to credit risk.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2018, the District's bank balances (including revolving cash) of \$1,228,483 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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 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. At year end, the District was not exposed to interest rate risk.

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 was not exposed to foreign currency risk.

7. 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 at amortized cost and to report nonparticipating 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 deposit 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 2a7 of the Investment Company Act of 1940.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Accounts Receivable

The District expects all accounts receivable to be collected within one year. As such, no allowance for doubtful accounts has been established. Accounts receivable at June 30, 2018 were as follows:

	Major Funds		Nonmajor	
	General	Bond Interest	Governmental	Total
	Fund	& Redemption	Funds	
	Fund	Fund		
Federal Government:				
Special Education - IDEA	\$ 1,454,998	\$ -	\$ -	\$ 1,454,998
Title I - Part A	429,465	-	-	429,465
21st Century Grants	483,528	-	-	483,528
Medi-Cal	168,307	-	-	168,307
Adult Education	-	-	802,311	802,311
Child Nutrition Program	-	-	1,365,064	1,365,064
Other Federal Programs	93,064	-	-	93,064
State Government:				
Lottery	918,301	-	-	918,301
Mental Health Funds	331,011	-	-	331,011
California Clean Energy	155,421	-	-	155,421
Adult Education	-	-	181,051	181,051
Child Nutrition Program	-	-	96,995	96,995
Other State Revenue	71,729	-	-	71,729
Local Sources:				
Interest	156,547	-	28,805	185,352
Regional Occupation Program	88,942	-	-	88,942
After School Education	227,228	-	-	227,228
Charter School Oversight Fees	527,715	-	-	527,715
Other Local Sources	822,340	-	247,086	1,069,426
Totals	\$ 5,928,596	\$ -	\$ 2,721,312	\$ 8,649,908

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,305,752	\$ -	\$ -	\$ 51,305,752
Work in progress	142,405	467,947	126,108	484,244
Total capital assets not being depreciated	<u>51,448,157</u>	<u>467,947</u>	<u>126,108</u>	<u>51,789,996</u>
Capital assets being depreciated:				
Buildings	397,633,362	3,821,341	-	401,454,703
Improvements	30,058,996	718,971	-	30,777,967
Equipment	38,675,863	1,873,491	-	40,549,354
Total capital assets being depreciated	<u>466,368,221</u>	<u>6,413,803</u>	<u>-</u>	<u>472,782,024</u>
Less accumulated depreciation for:				
Buildings	(194,450,614)	(14,412,907)	-	(208,863,521)
Improvements	(13,175,638)	(1,167,380)	-	(14,343,018)
Equipment	(30,107,465)	(2,381,559)	-	(32,489,024)
Total accumulated depreciation	<u>(237,733,717)</u>	<u>(17,961,846)</u>	<u>-</u>	<u>(255,695,563)</u>
Total capital assets being depreciated, net	<u>228,634,504</u>	<u>(11,548,043)</u>	<u>-</u>	<u>217,086,461</u>
Governmental activities capital assets, net	<u>\$ 280,082,661</u>	<u>\$ (11,080,096)</u>	<u>\$ 126,108</u>	<u>\$ 268,876,457</u>

Depreciation was charged to functions as follows:

Instruction	\$ 16,035,214
Instruction-Related Services	190,240
Pupil Services	530,867
Ancillary Services	190,347
Community Services	48,482
General Administration	783,546
Plant Services	183,150
	<u>\$ 17,961,846</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Govt. Funds	\$ 713,088	Indirect costs & other expenses
Nonmajor Govt. Funds	General Fund	20,620	Cafeteria invoices
Self-Insurance Fund	General Fund	440,728	June workers compensation
Self-Insurance Fund	Nonmajor Govt. Funds	17,083	June workers compensation
	Total	<u>\$ 1,191,519</u>	

All amounts due are scheduled to be repaid within one year.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Nonmajor Govt. Funds	Nonmajor Govt. Funds	\$ 507,043	Debt service payment
Self Insurance Fund	General Fund	45,077	Insurance buy down
	Total	<u>\$ 552,120</u>	

G. Accounts Payable

Accounts payable at June 30, 2018 were as follows:

	Major Funds		Nonmajor	
	General Fund	Bond Interest & Redemption Fund	Governmental Funds	Total
Vendor payables	\$ 4,448,270	\$ -	\$ 846,726	\$ 5,294,996
Payroll and related benefits	3,109,335	-	264,472	3,373,807
Pension related liabilities	1,908,574	-	61,228	1,969,802
LCFF repayment	554,553	-	-	554,553
	<u>\$ 10,020,732</u>	<u>\$ -</u>	<u>\$ 1,172,426</u>	<u>\$ 11,193,158</u>

H. Unearned Revenue

Unearned revenue at June 30, 2018 were as follows:

	Major Funds		Nonmajor	
	General Fund	Bond Interest & Redemption Fund	Governmental Funds	Total
Federal Government:				
Title III	\$ 150,372	\$ -	\$ -	\$ 150,372
Team Nutrition Grant	-	-	10,500	10,500
Other Federal Programs	22,126	-	-	22,126
State Government:				
Career Tech Education	2,395,546	-	-	2,395,546
Career Pathway Trust	48,657	-	-	48,657
Totals	<u>\$ 2,616,701</u>	<u>\$ -</u>	<u>\$ 10,500</u>	<u>\$ 2,627,201</u>

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

The District participated in the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Series 2017 issued August 29, 2017. The notes due on June 30, 2018 bore an interest rate of 3.00%. The District's share of Tax and Revenue Anticipation Notes issued was \$12,570,000. The notes were issued to supplement cash flows of the district. The notes and interest were repaid by the district on June 30, 2018.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ -	\$ 12,570,000	\$ 12,570,000	\$ -

VISTA UNIFIED SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2018

J. Components of Ending Fund Balance

At June 30, 2018 components of ending fund balances were as follows:

	Major Funds		Nonmajor	
	General	Bond Interest	Governmental	Total
	Fund	& Redemption	Funds	
	Fund	Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 250,000	\$ -	\$ 500	\$ 250,500
Inventory	109,502	-	321,623	431,125
Total Nonspendable	359,502	-	322,123	681,625
Restricted Fund Balances				
Capital Projects	1,114,776	-	4,827,629	5,942,405
Educational Programs	4,246,246	-	1,021,405	5,267,651
Debt Service	-	9,512,070	540,359	10,052,429
Medi-Cal Program	1,379,737	-	-	1,379,737
Maintenance	939,133	-	-	939,133
Child Nutrition Program	-	-	3,815,077	3,815,077
Total Restricted	7,679,892	9,512,070	10,204,470	27,396,432
Assigned Fund Balances				
Capital Projects	-	-	63,119	63,119
Educational Programs	-	-	1,180,991	1,180,991
Total Assigned	-	-	1,244,110	1,244,110
Unassigned Fund Balances				
For Economic Uncertainty	7,942,749	-	-	7,942,749
Other Unassigned	7,259,665	-	-	7,259,665
Total Unassigned	15,202,414	-	-	15,202,414
Total Fund Balances	\$ 23,241,808	\$ 9,512,070	\$ 11,770,703	\$ 44,524,581

K. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due Within
					One Year
Governmental activities:					
General obligation bonds					
Principal	\$ 96,229,882	\$ -	\$ 5,485,000	\$ 90,744,882	\$ 5,995,000
Accreted interest	7,614,959	854,820	-	8,469,779	-
Premium	11,932,393	-	1,071,291	10,861,102	-
Total GO Bonds	115,777,234	854,820	6,556,291	110,075,763	5,995,000
Capital leases	1,881,762	-	728,612	1,153,150	742,522
Certificates of participation	2,710,000	-	400,000	2,310,000	415,000
Retirement incentive	8,885,944	-	1,791,157	7,094,787	1,773,697
Child care facility loan	112,000	-	28,000	84,000	28,000
Total OPEB liability	35,045,333	1,172,466	-	36,217,799	-
Net pension liability	234,050,386	39,045,912	-	273,096,298	-
Compensated absences *	1,675,535	215,506	-	1,891,041	1,891,041
Total governmental activities	\$ 400,138,194	\$ 41,288,704	\$ 9,504,060	\$ 431,922,838	\$ 10,845,260
* Other long-term liabilities					

VISTA UNIFIED SCHOOL DISTRICT
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The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. General Obligation Bonds

General obligation bonds, at June 30, 2018, consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2002 Election Series A	05/16/2002	2.25 - 5.86%	02/01/2027	\$ 92,000,541
2002 Election Series B	12/02/2003	2.00 - 5.52%	08/01/2028	20,359,341
2002 Election Series C	06/19/2007	4.00 - 5.25%	08/01/2028	27,640,000
2012 Refunding Bonds	09/18/2012	2.00 - 5.00%	08/01/2028	56,480,000
2015 Refunding Bonds	09/30/2015	2.00 - 5.00%	08/01/2028	42,060,000
Total GO Bonds				<u>\$ 238,539,882</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2002-A Principal	\$ 3,415,541	\$ -	\$ -	\$ 3,415,541
2002-A Accreted Interest	5,552,591	610,018	-	6,162,609
2002-B Principal	1,144,341	-	-	1,144,341
2002-B Accreted Interest	2,062,368	244,802	-	2,307,170
2002-C Principal	995,000	-	995,000	-
2012 Refunding Principal	53,035,000	-	755,000	52,280,000
2012 Refunding Premium	6,668,883	-	592,790	6,076,093
2015 Refunding Principal	37,640,000	-	3,735,000	33,905,000
2015 Refunding Premium	5,263,510	-	478,501	4,785,009
Total GO Bonds	<u>\$ 115,777,234</u>	<u>\$ 854,820</u>	<u>\$ 6,556,291</u>	<u>\$ 110,075,763</u>

The annual requirements to amortize the bonds outstanding, at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2019	\$ 5,995,000	\$ -	\$ 4,150,700	\$ 10,145,700
2020	6,625,000	-	3,910,900	10,535,900
2021	7,350,000	-	3,588,700	10,938,700
2022	7,695,000	-	3,231,150	10,926,150
2023	8,480,000	-	2,860,600	11,340,600
2024-2028	45,490,541	13,529,459	7,809,550	66,829,550
2029-2033	9,109,341	6,280,659	398,250	15,788,250
Totals	<u>\$ 90,744,882</u>	<u>\$ 19,810,118</u>	<u>\$ 25,949,850</u>	<u>\$ 136,504,850</u>

Note: Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2018.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The district imputes the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

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Bond Premium/Discount

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.

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

The following bonds were issued at a premium or discount resulting in effective interest as follows:

	2012 Refunding Bonds	2015 Refunding Bonds
Total Interest	\$ 30,065,455	\$ 11,593,053
Less Bond Premium	(9,484,633)	(6,220,514)
Net Interest	\$ 20,580,822	\$ 5,372,539
Par Amount of Bonds	\$ 56,480,000	\$ 42,060,000
Periods	16	13
Effective Interest Rate	2.28%	0.98%

3. **Capital Leases**

The District has entered into agreements to lease various equipment items. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Technology	Buses	Total
Balance July 1, 2017	\$ 1,107,029	\$ 847,194	\$ 1,954,223
Payments	553,515	211,799	765,314
Balance, June 30, 2018	\$ 553,514	\$ 635,395	\$ 1,188,909

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30:</u>	
2019	\$ 765,313
2020	211,798
2021	211,798
Total Minimum Rentals	1,188,909
Less: Amounts Representing Interest	35,759
Present Value of Minimum Lease Payments	\$ 1,153,150

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

4. Certificates of Participation

The District entered into a long-term lease-purchase agreement with the Vista Unified School District Improvement Corporation for the acquisition, construction, and installation of additional classrooms and transportation equipment. The Corporation is a nonprofit public benefit corporation organized primarily to render financial assistance to the District by financing and constructing public school buildings and facilities in the District.

Certificates of Participation, at June 30, 2018, consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
1998 Certificates	04/20/1998	3.80 - 5.125%	05/01/2023	\$ 7,610,000
Total COPs				<u>\$ 7,610,000</u>
	Beginning Balance	Increases	Decreases	Ending Balance
1998 Certificates	\$ 2,710,000	\$ -	\$ 400,000	\$ 2,310,000
Total COPs	<u>\$ 2,710,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 2,310,000</u>

The annual requirements to amortize the COPs outstanding, at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	Principal	Interest	Total
2019	\$ 415,000	\$ 118,388	\$ 533,388
2020	440,000	97,119	537,119
2021	460,000	74,569	534,569
2022	485,000	50,994	535,994
2023	510,000	26,138	536,138
Totals	<u>\$ 2,310,000</u>	<u>\$ 367,208</u>	<u>\$ 2,677,208</u>

5. Supplemental Early Retirement Plan (SERP)

The District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits that they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are being paid over a five year period. The annuities were purchased for employees who retired during the 2010-11 and 2011-12 school years. On June 19, 2017, the District adopted a supplemental early retirement plan whereby 182 employees participated. As of June 30, 2018 the outstanding balance was \$7,094,787.

The annual requirements for annuity payments, at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	Payment
2019	\$ 1,773,697
2020	1,773,697
2021	1,773,697
2022	1,773,696
Totals	<u>\$ 7,094,787</u>

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

6. Child Care Facilities Revolving Loan

The California Department of Education (CDE) approved a Child Care Facilities Revolving Fund loan in the amount of \$280,000 for the relocatable building project. The annual repayment amount for the project is \$28,000, commencing six months from the approval date. The loan bears no interest. At June 30, 2018 the outstanding balance was \$84,000.

The annual requirements for loan payments, at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2019	\$ 28,000
2020	28,000
2021	28,000
Totals	<u>\$ 84,000</u>

7. Total OPEB Liability

The District's beginning OPEB liability was \$35,045,333 and increased during the year ended June 30, 2018 by \$1,172,466. The ending OPEB liability at June 30, 2018 was \$36,217,799. See Note O for additional information regarding the OPEB liability.

8. Net Pension Liability

The District's beginning net pension liability was \$234,050,386 and increased by \$39,045,912 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$273,096,298. See Note N for additional information regarding the net pension liability.

9. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$1,891,041. This amount is included as part of long-term liabilities in the government-wide financial statements.

L. Joint Ventures (Joint Powers Agreements)

The District is a member of the Southern California Regional Liability Excess Fund (SCRLEF) and the Protected Insurance Program for Schools (PIPS) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its workers' compensation and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements can be obtained by contacting the JPAs directly.

During the year ended June 30, 2018, the District made payments of \$5,328,858 and \$1,195,843 to SCRLEF and PIPS, respectively.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

M. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

N. 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. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and 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. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue 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 respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide 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.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.435%	7.435%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	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%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 measurement period ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 7.435% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.350%	\$ 4,602,927
2017	5.720%	6,495,636
2018	7.435%	8,490,034

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	\$ 9,060,832
2017	15,957,199
2018	5,159,122

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 14,296,861	\$ 5,552,847	\$ 19,849,708
Contributions - State On Behalf Payments	8,490,035	-	8,490,035
Total Contributions	<u>\$ 22,786,896</u>	<u>\$ 5,552,847</u>	<u>\$ 28,339,743</u>

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liability - Governmental	\$ 198,779,817	\$ 74,316,481	\$ 273,096,298

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 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 plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS		
	District's Proportionate Share	State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.2114%	0.1203%	0.3317%
Proportion June 30, 2018	0.2149%	0.1276%	0.3425%
Change in Proportion	0.0035%	0.0073%	0.0108%

	CalPERS District's Proportionate Share
Proportion June 30, 2017	0.3195%
Proportion June 30, 2018	0.3113%
Change in Proportion	-0.0082%

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 27,827,360	\$ 11,218,552	\$ 39,045,912
State On Behalf Pension Expense	5,159,122	-	5,159,122
Employer Contributions to Pension Expense	16,477,388	6,197,153	22,674,541
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(2,450,983)	(749,921)	(3,200,904)
Differences between actual and expected experiences	(686,098)	(524,377)	(1,210,475)
Changes in assumptions	(34,370,246)	(11,578,764)	(45,949,010)
Changes in proportionate share	1,994,901	462,057	2,456,958
Net difference between projected and actual earnings	7,900,284	4,488,894	12,389,178
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(1,578,908)	-	(1,578,908)
Changes in assumptions	-	(631,906)	(631,906)
Changes in proportionate share	(759,640)	1,279,372	519,732
Net difference between projected and actual earnings	11,209,750	2,515,561	13,725,311
Total Pension Expense	\$ 30,722,930	\$ 12,676,621	\$ 43,399,551

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 16,477,388	\$ 6,197,153	\$ 22,674,541
Differences between actual and expected experience	686,098	3,238,193	3,924,291
Changes in assumptions	34,370,246	11,578,764	45,949,010
Changes in employer's proportionate share	10,940,272	924,113	11,864,385
Net difference between projected and actual earnings	20,897,914	11,533,093	32,431,007
Total Deferred Outflows of Resources	<u>\$ 83,371,918</u>	<u>\$ 33,471,316</u>	<u>\$ 116,843,234</u>
	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (2,591,283)	\$ -	\$ (2,591,283)
Changes in assumptions	-	(1,263,811)	(1,263,811)
Changes in employer's proportionate share	(2,278,918)	(1,330,515)	(3,609,433)
Net difference between projected and actual earnings	(26,417,311)	(8,746,778)	(35,164,089)
Total Deferred Inflows of Resources	<u>\$ (31,287,512)</u>	<u>\$ (11,341,104)</u>	<u>\$ (42,628,616)</u>

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. 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. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2019	\$ 38,032,690	\$ 15,174,124	\$ (14,645,709)	\$ (5,491,133)	\$ 33,069,972
2020	21,555,301	8,976,970	(6,325,937)	(2,375,524)	21,830,810
2021	14,440,639	6,094,389	(5,612,484)	(1,743,618)	13,178,926
2022	9,343,288	3,225,833	(4,703,382)	(1,730,829)	6,134,910
Total	<u>\$ 83,371,918</u>	<u>\$ 33,471,316</u>	<u>\$ (31,287,512)</u>	<u>\$ (11,341,104)</u>	<u>\$ 74,214,618</u>

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.75%
Wage Growth	3.50%	3.00%
Projected Salary Increase	0.5% - 6.4% (1)	3.10% - 9.00% (1)
Investment Rate of Return	7.10% (2)	7.50% (2)
Mortality	0.073%-22.86% (3)	0.466%-32.536% (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% 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, CalSTRS and 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 CalPERS and CalSTRS websites.

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.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

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 valuation 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. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, CalSTRS and 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.

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.

CalSTRS

Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 291,871,878	\$ 109,343,358
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 198,779,817	\$ 74,316,481
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 123,229,300	\$ 45,258,753

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

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	\$ 895,538,378	\$ 627,265,616	\$ 268,272,762	\$ 97,320,308	\$ 170,952,454
Changes for the year:					
Change in proportionate share	29,422,933	20,608,824	8,814,109	5,918,077	2,896,032
Service cost	20,774,354	-	20,774,354	7,740,211	13,034,143
Interest	69,294,668	-	69,294,668	25,818,147	43,476,521
Differences between expected and actual experience	1,366,914	-	1,366,914	509,292	857,622
Change in assumptions	68,475,890	-	68,475,890	25,513,083	42,962,807
Contributions:					
Employer	-	14,296,876	(14,296,876)	(5,326,800)	(8,970,076)
Employee	-	11,787,949	(11,787,949)	(4,392,012)	(7,395,937)
State On Behalf	-	8,490,043	(8,490,043)	(3,163,262)	(5,326,781)
Net investment income	-	86,212,132	(86,212,132)	(32,121,339)	(54,090,793)
Other income	-	246,678	(246,678)	(91,909)	(154,769)
Benefit payments, including refunds of employee contributions	(47,628,030)	(47,628,030)	-	-	-
Administrative expenses	-	(624,762)	624,762	232,777	391,985
Borrowing costs	-	(198,555)	198,555	73,979	124,576
Other expenses	-	(35,118)	35,118	13,085	22,033
Net Changes	141,706,729	93,156,037	48,550,692	20,723,329	27,827,363
Balance at June 30, 2018	\$ 1,037,245,107	\$ 720,421,653	\$ 316,823,454	\$ 118,043,637	\$ 198,779,817

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 241,729,896	\$ 178,631,965	\$ 63,097,931
Changes for the year:			
Adjustment for change in proportionate share	(6,187,870)	(4,572,670)	(1,615,200)
Service cost	6,325,428	-	6,325,428
Interest	17,806,074	-	17,806,074
Differences between expected and actual experience	1,655,706	-	1,655,706
Changes in assumptions	14,473,455	-	14,473,455
Contributions - Employer	-	5,552,843	(5,552,843)
Contributions - Employee	-	2,793,761	(2,793,761)
Net plan to plan resource movement	-	(422)	422
Net investment income	-	19,337,523	(19,337,523)
Benefit payments, including refunds of employee contributions	(11,595,793)	(11,595,793)	-
Administrative expenses	-	(256,792)	256,792
Net Changes	22,477,000	11,258,450	11,218,550
Balance at June 30, 2018	\$ 264,206,896	\$ 189,890,415	\$ 74,316,481

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

O. Postemployment Benefits Other Than Pension Benefits

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 OPEB for retirees and their eligible dependents that meet eligibility requirements until age 65. Retirees and their eligible dependents 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.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 (\$462.50 for retirements on or after July 1, 2016, \$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.

Certificated 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 (\$462.50 for retirements on or after July 1, 2016, \$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 68.

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 dependents. The District's financial obligation is to pay for retiree health coverage to age 68 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 100% of the active employer contribution maximum (\$925.00 per month until age 65, then drops to \$462.50 for retirements after July 1, 2016, \$900.00 per month until age 65, then drops to \$450.00 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 68. 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.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	5
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	376
Total number of participants	<u>381</u>

2. Total OPEB Liability

The District's total OPEB liability of \$36,217,799 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.40% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 5.00%
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 June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 35,045,333
Changes for the year:	
Service cost	2,136,132
Interest	1,226,930
Benefit payments	(2,190,596)
Net changes	<u>1,172,466</u>
Balance at June 30, 2018	<u>\$ 36,217,799</u>

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.40%) or 1-percentage-point-higher (4.40%) than the current discount rate:

	1% Decrease (2.40%)	Discount Rate (3.40%)	1% Increase (4.40%)
Total OPEB Liability	\$ 38,646,898	\$ 36,217,799	\$ 33,951,633

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.00% decreasing to 4.00% per year) or 1-percentage-point higher (7.00% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	1% Decrease 5.50% decreasing to 4.00%	Healthcare Cost Trend Rate 6.50% decreasing to 5.00%	1% Increase 7.50% decreasing to 6.00%
Total OPEB Liability	\$ 34,624,535	\$ 36,217,799	\$ 38,058,692

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

For the year ended June 30, 2018 the District recognized OPEB expense of \$3,363,062. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ 1,921,468

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

P. Deferred Outflows of Resources

The District has issued two sets of refunding bonds which have resulted in a refunding loss which has been recorded as a deferred outflow of resources and is amortized against interest expense over the life of the refunding bonds.

GASB Statement No. 68 & 71 requires that contributions of pension plans subsequent to the measurement date be recorded as deferred outflows of resources. In addition, the statements prescribe certain items that must be recorded as deferred outflows of resources based on changes in the net pension liability.

In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items are recorded as deferred outflows of resources.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A summary of deferred outflows of resources at June 30, 2018, are as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Refunding Losses	25 Years	\$ 1,615,349	\$ -	\$ 72,491	\$ 1,542,858
OPEB Related	Varies	2,190,596	1,921,468	2,190,596	1,921,468
Pension Related	Varies	81,328,981	85,520,161	50,005,908	116,843,234
Total Deferred Outflows of Resources		<u>\$ 85,134,926</u>	<u>\$ 87,441,629</u>	<u>\$ 52,268,995</u>	<u>\$ 120,307,560</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Refunding Losses	OPEB Related	Pension Related	Total
2019	\$ 72,491	\$ 1,921,468	\$ 53,206,814	\$ 55,200,773
2020	72,491	-	30,532,271	30,604,762
2021	72,491	-	20,535,028	20,607,519
2022	72,491	-	12,569,121	12,641,612
2023	72,491	-	-	72,491
2024-2028	362,455	-	-	362,455
2029-2033	362,455	-	-	362,455
2034-2038	362,455	-	-	362,455
2039-2043	93,038	-	-	93,038
Total	<u>\$ 1,542,858</u>	<u>\$ 1,921,468</u>	<u>\$ 116,843,234</u>	<u>\$ 120,307,560</u>

Q. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 the District has recorded deferred inflows of resources for pension related items as prescribed by the statement.

A summary of deferred inflows of resources at June 30, 2018, are as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Pension Related	Varies	\$ 30,594,387	\$ 32,171,074	\$ 20,136,845	\$ 42,628,616
Total Deferred Inflows of Resources		<u>\$ 30,594,387</u>	<u>\$ 32,171,074</u>	<u>\$ 20,136,845</u>	<u>\$ 42,628,616</u>

Future amortization of deferred inflows of resources is as follows:

June 30	Pension Related
2019	\$ 20,136,842
2020	8,701,461
2021	7,356,102
2022	6,434,211
Total	<u>\$ 42,628,616</u>

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

R. Adjustment to Beginning Balance

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements.

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements
Beginning Net Position - Originally Stated	\$ 3,917,875
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(15,405,607)
Deferred Outflows of Resources	2,190,596
Total Adjustments	<u>(13,215,011)</u>
Beginning Net Position - As Restated	<u>\$ (9,297,136)</u>

S. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Construction Commitments

At June 30, 2018, the District had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	*Expected Date of Final Completion
Vista Magnet Middle School - Pool Modernization	\$ 7,000	December 2019
Mission Vista High School - Mitigation Project	9,295	June 2019
Rancho Minerva Middle School - Mitigation Project	37,461	May 2020

*Expected date of final completion subject to change

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

T. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Issuance of Short-Term Debt

The District is participating in the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Notes Program, Series 2018, issued August 15, 2018. The notes are due on June 30, 2019 and bear an interest rate of 4.00%. The District's share of Tax and Revenue Anticipation Notes issued is \$20,000,000. The notes were issued to supplement cash flows of the District. The notes and interest will be repaid by the District on or before June 30, 2019.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

VISTA UNIFIED SCHOOL DISTRICT
EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 109,297,377	\$ 106,808,201	\$ 101,983,560	\$ (4,824,641)
Education Protection Account Funds	26,379,909	26,145,996	28,812,450	2,666,454
Local Sources	58,720,571	61,813,730	63,944,114	2,130,384
Federal Revenue	12,009,380	13,334,992	13,308,443	(26,549)
Other State Revenue	15,455,632	21,285,679	20,808,300	(477,379)
Other Local Revenue	17,111,030	21,385,553	22,206,801	821,248
Total Revenues	<u>238,973,899</u>	<u>250,774,151</u>	<u>251,063,668</u>	<u>289,517</u>
Expenditures:				
Current:				
Certificated Salaries	110,403,013	113,363,392	115,475,540	(2,112,148)
Classified Salaries	40,935,063	42,869,454	42,905,966	(36,512)
Employee Benefits	63,904,542	66,181,409	64,587,140	1,594,269
Books And Supplies	10,069,790	11,899,475	10,120,840	1,778,635
Services And Other Operating Expenditures	18,323,126	23,841,567	24,766,952	(925,385)
Other Outgo	1,531,506	2,338,065	2,546,244	(208,179)
Direct Support/Indirect Costs	(688,095)	(697,941)	(627,238)	(70,703)
Capital Outlay	2,835,316	4,619,518	4,743,060	(123,542)
Debt Service:				
Principal	218,912	218,912	222,918	(4,006)
Interest	20,886	20,886	16,881	4,005
Total Expenditures	<u>247,554,059</u>	<u>264,654,737</u>	<u>264,758,303</u>	<u>(103,566)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,580,160)</u>	<u>(13,880,586)</u>	<u>(13,694,635)</u>	<u>185,951</u>
Other Financing Sources (Uses):				
Transfers In	200,000	200,000	45,077	(154,923)
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>45,077</u>	<u>(154,923)</u>
Net Change in Fund Balance	(8,380,160)	(13,680,586)	(13,649,558)	31,028
Fund Balance, July 1	36,891,366	36,891,366	36,891,366	-
Fund Balance, June 30	<u>\$ 28,511,206</u>	<u>\$ 23,210,780</u>	<u>\$ 23,241,808</u>	<u>\$ 31,028</u>

See Accompanying Notes to Required Supplementary Information.

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.2149%	0.2114%	0.2162%	0.1913%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 198,779,817	\$ 170,952,455	\$ 145,525,900	\$ 111,784,971	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	118,043,247	97,320,183	76,967,159	67,500,592	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 316,823,064</u>	<u>\$ 268,272,638</u>	<u>\$ 222,493,059</u>	<u>\$ 179,285,563</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>
District's covered-employee payroll**	\$ 113,647,544	\$ 105,825,061	\$ 97,351,892	\$ 87,401,455	\$ N/A	\$ N/A	\$ 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	174.91%	161.54%	149.48%	127.90%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	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 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**Covered employee payroll is based on a measurement period one year prior.

See Accompanying Notes to Required Supplementary Information

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 16,477,388	\$ 14,296,861	\$ 11,355,029	\$ 8,644,848	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(16,477,388)	(14,296,861)	(11,355,029)	(8,644,848)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 114,188,413	\$ 113,647,544	\$ 105,825,061	\$ 97,351,892	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	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 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information.

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.3113%	0.3195%	0.3199%	0.3013%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 74,316,481	\$ 63,097,931	\$ 47,158,218	\$ 34,202,366	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll**	\$ 39,983,057	\$ 39,222,581	\$ 38,131,426	\$ 35,379,465	\$ N/A	\$ N/A	\$ 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	185.87%	160.87%	123.67%	96.67%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	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 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**Covered employee payroll is based on a measurement period one year prior.

See Accompanying Notes to Required Supplementary Information

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 6,197,153	\$ 5,552,847	\$ 4,646,699	\$ 4,488,450	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(6,197,153)	(5,552,847)	(4,646,699)	(4,488,450)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 39,901,829	\$ 39,983,057	\$ 39,222,581	\$ 38,131,426	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	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 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
VUSD RETIREE HEALTHCARE PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 2,136,132	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	1,226,930	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(2,190,596)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,172,466	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	35,045,333	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 36,217,799</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	\$ 162,055,523	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total OPEB liability as a percentage of covered-employee payroll	22.35%	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 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries \$	2,112,148	The District underestimated the increase from bargaining agreement increases.
Classified Salaries	36,512	The District underestimated the increase from bargaining agreement increases.
Services & Other	925,385	The District underestimated the costs of services from outside contractors.
Other Outgo	208,179	The District underestimated the cost of tuition to the county office of education.
Direct Support/ Indirect Costs	70,703	The District underestimated amounts that would be received to cover direct support/indirect costs from other funds.
Capital Outlay	123,542	The District underestimated the cost of equipment replacement.
Debt Service Principal	4,006	The District budgeted correctly for total debt service, but inverted a portion between principal and interest.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Schedule of District's Proportionate Share - California State Teachers' Retirement System

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

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions - California State Teachers' Retirement System

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015 & 2016 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increases	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

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

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

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.

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, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 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
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	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
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increases	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 April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

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

- 1) Benefit Changes: In 2018 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

Year	Discount Rate
2018	3.40%

Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

VISTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 4,972,702	\$ -	\$ 5,049,787	\$ 10,022,489
Cash on Hand and in Banks	56,898	-	-	56,898
Cash in Revolving Fund	500	-	-	500
Cash with a Fiscal Agent/Trustee	-	540,359	-	540,359
Accounts Receivable	2,650,579	-	70,733	2,721,312
Due from Other Funds	20,620	-	-	20,620
Stores Inventories	321,623	-	-	321,623
Total Assets	<u>8,022,922</u>	<u>540,359</u>	<u>5,120,520</u>	<u>13,683,801</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 942,654	\$ -	\$ 229,772	\$ 1,172,426
Due to Other Funds	730,172	-	-	730,172
Unearned Revenue	10,500	-	-	10,500
Total Liabilities	<u>1,683,326</u>	<u>-</u>	<u>229,772</u>	<u>1,913,098</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	500	-	-	500
Stores Inventories	321,623	-	-	321,623
Restricted Fund Balances	4,836,482	540,359	4,827,629	10,204,470
Assigned Fund Balances	1,180,991	-	63,119	1,244,110
Total Fund Balance	<u>6,339,596</u>	<u>540,359</u>	<u>4,890,748</u>	<u>11,770,703</u>
Total Liabilities and Fund Balances	<u>\$ 8,022,922</u>	<u>\$ 540,359</u>	<u>\$ 5,120,520</u>	<u>\$ 13,683,801</u>

VISTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 11,151,677	\$ -	\$ -	\$ 11,151,677
Other State Revenue	8,373,945	-	-	8,373,945
Other Local Revenue	2,212,004	-	3,484,596	5,696,600
Total Revenues	<u>21,737,626</u>	<u>-</u>	<u>3,484,596</u>	<u>25,222,222</u>
Expenditures:				
Current:				
Instruction	2,603,825	-	-	2,603,825
Instruction - Related Services	1,265,738	-	-	1,265,738
Pupil Services	10,447,485	-	-	10,447,485
General Administration	627,238	-	265,526	892,764
Plant Services	422,697	-	17,076	439,773
Other Outgo	4,847,859	-	8,229	4,856,088
Capital Outlay	1,078,104	-	934,479	2,012,583
Debt Service:				
Principal	-	400,000	533,694	933,694
Interest	-	107,043	19,821	126,864
Total Expenditures	<u>21,292,946</u>	<u>507,043</u>	<u>1,778,825</u>	<u>23,578,814</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>444,680</u>	<u>(507,043)</u>	<u>1,705,771</u>	<u>1,643,408</u>
Other Financing Sources (Uses):				
Transfers In	-	507,043	-	507,043
Transfers Out	-	-	(507,043)	(507,043)
Total Other Financing Sources (Uses)	<u>-</u>	<u>507,043</u>	<u>(507,043)</u>	<u>-</u>
Net Change in Fund Balance	444,680	-	1,198,728	1,643,408
Fund Balance, July 1	5,894,916	540,359	3,692,020	10,127,295
Fund Balance, June 30	<u>\$ 6,339,596</u>	<u>\$ 540,359</u>	<u>\$ 4,890,748</u>	<u>\$ 11,770,703</u>

VISTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 1,973,633	\$ 2,999,069	\$ 4,972,702
Cash on Hand and in Banks	39,427	17,471	56,898
Cash in Revolving Fund	-	500	500
Accounts Receivable	1,011,344	1,639,235	2,650,579
Due from Other Funds	-	20,620	20,620
Stores Inventories	-	321,623	321,623
Total Assets	<u>3,024,404</u>	<u>4,998,518</u>	<u>8,022,922</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 649,286	\$ 293,368	\$ 942,654
Due to Other Funds	172,722	557,450	730,172
Unearned Revenue	-	10,500	10,500
Total Liabilities	<u>822,008</u>	<u>861,318</u>	<u>1,683,326</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	-	500	500
Stores Inventories	-	321,623	321,623
Restricted Fund Balances	1,021,405	3,815,077	4,836,482
Assigned Fund Balances	1,180,991	-	1,180,991
Total Fund Balance	<u>2,202,396</u>	<u>4,137,200</u>	<u>6,339,596</u>
Total Liabilities and Fund Balances	<u>\$ 3,024,404</u>	<u>\$ 4,998,518</u>	<u>\$ 8,022,922</u>

VISTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 1,833,592	\$ 9,318,085	\$ 11,151,677
Other State Revenue	7,728,376	645,569	8,373,945
Other Local Revenue	333,748	1,878,256	2,212,004
Total Revenues	<u>9,895,716</u>	<u>11,841,910</u>	<u>21,737,626</u>
Expenditures:			
Current:			
Instruction	2,603,825	-	2,603,825
Instruction - Related Services	1,265,738	-	1,265,738
Pupil Services	297,119	10,150,366	10,447,485
General Administration	137,934	489,304	627,238
Plant Services	367,531	55,166	422,697
Other Outgo	4,847,859	-	4,847,859
Capital Outlay	708,101	370,003	1,078,104
Total Expenditures	<u>10,228,107</u>	<u>11,064,839</u>	<u>21,292,946</u>
Net Change in Fund Balance	(332,391)	777,071	444,680
Fund Balance, July 1	2,534,787	3,360,129	5,894,916
Fund Balance, June 30	<u>\$ 2,202,396</u>	<u>\$ 4,137,200</u>	<u>\$ 6,339,596</u>

VISTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 62,816	\$ 2,383,328	\$ 2,603,643	\$ 5,049,787
Accounts Receivable	303	66,341	4,089	70,733
Total Assets	<u>63,119</u>	<u>2,449,669</u>	<u>2,607,732</u>	<u>5,120,520</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ 229,772	\$ -	\$ 229,772
Total Liabilities	<u>-</u>	<u>229,772</u>	<u>-</u>	<u>229,772</u>
Fund Balance:				
Restricted Fund Balances	-	2,219,897	2,607,732	4,827,629
Assigned Fund Balances	63,119	-	-	63,119
Total Fund Balance	<u>63,119</u>	<u>2,219,897</u>	<u>2,607,732</u>	<u>4,890,748</u>
Total Liabilities and Fund Balances	<u>\$ 63,119</u>	<u>\$ 2,449,669</u>	<u>\$ 2,607,732</u>	<u>\$ 5,120,520</u>

VISTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 1,106	\$ 944,171	\$ 2,539,319	\$ 3,484,596
Total Revenues	<u>1,106</u>	<u>944,171</u>	<u>2,539,319</u>	<u>3,484,596</u>
Expenditures:				
Current:				
General Administration	-	265,526	-	265,526
Plant Services	-	17,076	-	17,076
Other Outgo	-	-	8,229	8,229
Capital Outlay	17,416	911,063	6,000	934,479
Debt Service:				
Principal	-	-	533,694	533,694
Interest	-	-	19,821	19,821
Total Expenditures	<u>17,416</u>	<u>1,193,665</u>	<u>567,744</u>	<u>1,778,825</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,310)</u>	<u>(249,494)</u>	<u>1,971,575</u>	<u>1,705,771</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(507,043)	(507,043)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(507,043)</u>	<u>(507,043)</u>
Net Change in Fund Balance	(16,310)	(249,494)	1,464,532	1,198,728
Fund Balance, July 1	79,429	2,469,391	1,143,200	3,692,020
Fund Balance, June 30	<u>\$ 63,119</u>	<u>\$ 2,219,897</u>	<u>\$ 2,607,732</u>	<u>\$ 4,890,748</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

VISTA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

The Vista Unified School District was established in 1936 and consists of an area comprising approximately 38.7 square miles in Vista, California. The District operates fourteen elementary schools, four middle schools, four high schools, two alternative education schools, four magnet schools, two special education schools, and an adult school. There were no boundary changes during the year.

Governing Board		
Name	Office	Term and Term Expiration
Rich Alderson	President	Four Year Term Expires December 2020
Carol Weise Herrera	Vice President	Four Year Term Expires December 2018
Cipriano Vargas	Clerk	Four Year Term Expires December 2020
Rosemary Smithfield	Member	Four Year Term Expires December 2020
Jim Gibson	Member	Four Year Term Expires December 2018
Administration		
	Linda Kimble, Ed.D. Superintendent	
	Matthew Steitz, Ed.D. Assistant Superintendent Educational Excellence	
	Elaine Alexandres Assistant Superintendent Human Relations	
	Matt Doyle, Ed.D. Assistant Superintendent Innovation	
	Donna Caperton Assistant Superintendent Business Services	

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

TABLE D-1

	Second Period Report Certificate #EB241012		Annual Report Certificate #DDD19AC2	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	6,419.07	N/A	6,433.27	N/A
Extended Year Special Education	9.78	N/A	9.78	N/A
Nonpublic, Nonsectarian Schools	-	N/A	0.12	N/A
TK/K-3 Totals	6,428.85	N/A	6,443.17	N/A
Grades 4-6:				
Regular ADA	4,566.64	N/A	4,555.62	N/A
Extended Year Special Education	6.74	N/A	6.74	N/A
Nonpublic, Nonsectarian Schools	1.52	N/A	2.19	N/A
Extended Year - Nonpublic	0.34	N/A	0.34	N/A
Grades 4-6 Totals	4,575.24	N/A	4,564.89	N/A
Grades 7 and 8:				
Regular ADA	2,919.65	N/A	2,910.39	N/A
Extended Year Special Education	4.90	N/A	4.90	N/A
Nonpublic, Nonsectarian Schools	3.05	N/A	3.89	N/A
Extended Year - Nonpublic	0.84	N/A	0.84	N/A
Grades 7 and 8 Totals	2,928.44	N/A	2,920.02	N/A
Grades 9-12:				
Regular ADA	6,388.06	N/A	6,332.15	N/A
Extended Year Special Education	4.95	N/A	4.95	N/A
Nonpublic, Nonsectarian Schools	12.80	N/A	12.61	N/A
Extended Year - Nonpublic	3.10	N/A	3.10	N/A
Grades 9-12 Totals	6,408.91	N/A	6,352.81	N/A
ADA Totals	20,341.44	N/A	20,280.89	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

TABLE D-2

Grade Level	Ed. Code Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	56,967	180	-	Complied
Kindergarten	36,000	54,252	180	-	Complied
Grade 1	50,400	54,252	180	-	Complied
Grade 2	50,400	54,252	180	-	Complied
Grade 3	50,400	54,252	180	-	Complied
Grade 4	54,000	54,252	180	-	Complied
Grade 5	54,000	54,252	180	-	Complied
Grade 6	54,000	59,997	180	-	Complied
Grade 7	54,000	59,997	180	-	Complied
Grade 8	54,000	59,997	180	-	Complied
Grade 9	64,800	65,539	180	-	Complied
Grade 10	64,800	65,539	180	-	Complied
Grade 11	64,800	65,539	180	-	Complied
Grade 12	64,800	65,539	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District neither met nor exceeded its target funding.

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

TABLE D-3

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	\$ 259,450,259	\$ 251,108,745	\$ 247,943,892	\$ 244,509,860
Expenditures, other uses and transfers out	266,556,017	264,758,303	254,637,267	240,963,193
Change in fund balance (deficit)	(7,105,758)	(13,649,558)	(6,693,375)	3,546,667
Ending fund balance	\$ 16,136,050	\$ 23,241,808	\$ 36,891,366	\$ 43,584,741
Available reserves (See Note 2)	\$ 8,731,322	\$ 15,202,414	\$ 7,639,118	\$ 12,200,000
Available reserves as a percentage of total outgo	3.3%	5.7%	3.0%	5.1%
Total long-term debt	\$ 113,381,663	\$ 120,717,700	\$ 150,682,197	\$ 148,650,744
Average daily attendance at P-2	20,341	20,341	20,974	20,944

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The fund balance of the general fund has decreased by \$20,342,933 (46.67%) over the past two years. The fiscal year 2018-19 budget projects a decrease of \$7,105,758 (30.57%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by \$27,933,044 (18.79%) over the past two years.

Average daily attendance has decreased by 603 (2.88%) over the past two years.

Notes:

- 1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

VISTA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

TABLE D-4

The ending fund balances reported in this audit report for all funds are in agreement with the amounts reported by the District in their Unaudited Financial Statement submission to the California Department of Education.

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

The following charter schools are chartered by Vista Unified School District.

Charter Schools	Charter Number	Included In Audit?
Bella Mente Montessori Academy	1515	No
Guajome Park Academy	0050	No
Guajome Learning Center	1351	No
North County Trade Tech High School	0884	No
School for Integrated Academics and Technologies	0627	No

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

TABLE D-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 2,127,791
National School Lunch Program	10.555	13396	-	5,790,046
NSLP Noncash Commodities	10.555	13396	-	231,488
Total Passed Through State Department of Education			-	8,149,325
Total U. S. Department of Agriculture			-	8,149,325
Total Child Nutrition Cluster			-	8,149,325
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medi-Cal Billing Option	93.778	10013	-	560,811
Medi-Cal MAA	93.778	10013	-	1,229,466
Total Passed Through State Department of Education			-	1,790,277
Total U. S. Department of Health and Human Services			-	1,790,277
Total Medicaid Cluster			-	1,790,277
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance - Private Schools	84.027	10019	35,756	35,756
IDEA Basic Local Assistance	84.027	13379	-	3,745,448
IDEA Preschool Local	84.027	13682	-	443,678
IDEA Mental Health	84.027	14468	-	263,218
IDEA Preschool Grants	84.173	13430	-	143,513
IDEA Preschool Staff Development	84.173	13431	-	1,518
Total Passed Through State Department of Education			35,756	4,633,131
Total U. S. Department of Education			35,756	4,633,131
Total Special Education (IDEA) Cluster			35,756	4,633,131
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through CA Department of Rehabilitation:				
Vocational Rehabilitation	84.126	29589	-	264,087
Passed Through San Diego County Superintendent of Schools:				
21st Century	84.287	V17180	-	886,744
Passed Through State Department of Education:				
Adult Education Secondary	84.002	13978	-	556,845
Adult Education English Literacy	84.002	14109	-	141,012
Adult Education Basic	84.002	14508	-	871,648
Title I	84.010	14329	725	4,858,055
Vocational Education	84.048	14894	-	163,848
Education for Homeless Children and Youth	84.196	14332	-	145,757
Title III	84.365	14346	1,100	142,214
Title II Supporting Effective Instruction	84.367	14341	26,132	698,501
Total Passed Through State Department of Education			27,957	7,577,880
Total U. S. Department of Education			27,957	8,728,711

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

TABLE D-6
Page 2 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U. S. Department of Defense</u>				
Passed Through San Diego County Superintendent of Schools: Junior ROTC	12.357	CA0Y0953	-	73,508
Total U. S. Department of Defense			-	73,508
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education: Child and Adult Care Food Program	10.558	13666	-	1,168,760
Total U. S. Department of Agriculture			-	1,168,760
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 63,713	\$ 24,543,712

The accompanying notes are an integral part of this schedule.

VISTA UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Vista Unified School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 4.92% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title III	84.365	1.98%
Child Nutrition Cluster	10.553 & 10.555	4.78%

Schoolwide Program

The District operates "schoolwide programs" at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in it's schoolwide program:

Program	CFDA #	Amount Expended
Title I	84.010	\$4,858,055

Other Independent Auditor's Reports

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA



Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

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

Board of Trustees
Vista Unified School District
Vista, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vista Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Vista Unified School District's basic financial statements and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vista Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2018-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2018-002.

Vista Unified School District's Response to Findings

Vista Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Vista Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Hadley King + Co LLP

El Cajon, California
December 11, 2018



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Vista Unified School District
Vista, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Vista Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Vista Unified School District's major federal programs for the year ended June 30, 2018. Vista Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Vista Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Vista Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Vista Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Vista Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Vista Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Vista Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Vista Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilkinson-Hadley King & Co LLP

El Cajon, California
December 11, 2018

Independent Auditor's Report on State Compliance

Board of Trustees
Vista Unified School District
Vista, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction.....	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Independent Study. The procedures were not required to be performed since the ADA reported for independent study was below the level that required testing.

Opinion on State Compliance

In our opinion, Vista Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

Vista Unified School District's Response to Findings

Vista Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Vista Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 11, 2018

Findings and Recommendations Section

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
10.558	Child & Adult Care Food Program
84.002	Adult Education Programs
84.126	Vocational Rehabilitation

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? X Yes No

Type of auditor's report issued on compliance for state programs: Unmodified

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

B. Financial Statement Findings

Finding Number: 2018-001
Repeat Finding: No
Audit Area: Associated Student Body Funds
Type of Finding: Internal Control - Significant Deficiency (30000)

Criteria or Specific Requirement

Determine if internal controls are in place over the student body funds that will ensure all student body deposits, disbursements, and bank reconciliations are properly maintained, clerically accurate and have sufficient supporting documentation to ensure the safeguard of assets of the student body accounts.

Condition

In our review of the student body bank reconciliations for all school sites at year end we noted that four school sites had not submitted bank reconciliations to the district office for review and approval during our audit process. In addition, we noted that a number of school site student body bank reconciliations did not have the proper preparer signature or approval signature present on the reconciliation calculations. Upon further inquiry, we noted that Roosevelt Middle School ASB had not submitted any bank reconciliations for the entire fiscal year to the district office for review due to input errors in the software system.

Cause

Insufficient proper training administered to site clerks and limited account monitoring and oversight by District personnel resulted in inadequate internal controls over the student body bank reconciliations. In addition, it appears that the middle school sites do not have one specific designated individual accountable for oversight of the student body funds due to limited and reduced staffing.

Effect

The student body bank reconciliations for all school sites at year end that were not completed and submitted timely to the district office are exposed to significant risk of error and fraud as the proper internal controls are not in place to detect errors and deter fraud.

Context

In order to detect errors and deter fraud, proper internal controls must be established over the student body bank reconciliations for all school sites. Student body bank reconciliations need to be complete, accurate, signed by the preparer and submitted to the district office for approval on a timely basis.

Recommendation

Provide inservice training to the school site individuals involved in daily student body account operations and processing of bank reconciliations for all school sites and have District personnel monitor and follow up on bank reconciliations submitted for review on a monthly basis. All bank reconciliations should be accurate, complete, and submitted timely to the district office by all school sites on a monthly basis and ensure each student body reconciliation contain a preparer signature and an approval signature after review by the district office as part of the internal control process.

Views of Responsible Officials

See Corrective Action Plan

VISTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding Number: 2018-002
Repeat Finding: No
Program Name: Continuation Education
Questioned Costs: None
Type of Finding: State Compliance (10000)

Criteria or Specific Requirement

Determine the average daily attendance for continuation education reported to the California Department of Education is properly accounted for and in agreement with the supporting documentation maintained by the District and verify that attendance was not credited for more than the scheduled class time.

Condition

In review of attendance at Major General Murray Continuation High School, we noted that the hourly attendance system generated a maximum of 25.0 hours per week including backfill hours based on 60 minute clock sessions; however, the bell schedule calculated 20.41 maximum instructional hours per week as instructional periods were only 50 and 45 minute clock sessions. As a result, the hourly attendance system is overstated in the recording of instructional time by 4.59 hours of weekly backfill hours. The District is only claiming the maximum of fifteen hours per week as allowed by education code and the overstated time only affects the backfill/credit hours. Additional testing of backfill hours determined that the overage did not result in an overstatement of average daily attendance; however, without the system reporting correctly an overstatement could occur without being detected.

Cause

District personnel did not compare and reconcile the bell schedule instructional minutes to the credited instructional time created by the software system. The District utilized sixty minute clock sessions for instructional periods in the software system that did not agree to the instructional periods listed on the bell schedule.

Effect

The school site was overstating instructional time within its hourly attendance system for continuation education. The school site was at risk of overstating average daily attendance without detecting the misstatement.

Context

California Education Code Sections 46000, 46303, and 48435 require that attendance not be credited for more than the scheduled class time.

Recommendation

Implement procedures to ensure instructional time and hours entered into the hourly attendance software system reconciles to the actual bell schedule. District management should review and monitor the weekly maximum time generated by the hourly attendance report to ensure the instructional time reconciles to the bell schedule for accuracy and that period clock sessions in the software system agree to the period minutes listed on the bell schedule.

Views of Responsible Officials

See Corrective Action Plan



EXCELLENCE ★ INNOVATION

Superintendent: Linda Kimble, Ed.D.

Board Members: Rich Alderson • Martha Alvarado • Debbie Morton • Rosemary Smithfield • Cipriano Vargas

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Donna Caperton
Assistant Superintendent-Business Services

The purpose of Vista Unified School District is to inspire every student to persevere as a critical thinker who collaborates to solve real world problems.

Business Services Division

1234 Arcadia Ave., Vista, CA 92084 • Ph: (760) 726-2170 Ext 92300 • Fax: (760) 941-9675 • www.vistausd.org

VISTA UNIFIED SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

Findings and Questioned Costs Related to Financial Statements

Finding Number: 2018-001
Program Name: Associated Student Body Funds
Contact Person: Donna Caperton, Assistant Superintendent Business Services
Anticipated Completion Date: May 2019
Planned Corrective Action: District fiscal services accountants will work with the ASB Director and ASB staff in the proper internal control measures for deposits, disbursements, and bank reconciliations in order to make sure all information is accurate and properly maintained. In addition, the District is asking the Auditors to conduct a workshop on proper internal control measures for ASB transactions and for cash handling. All ASB staff will be required to attend the in service training. District fiscal service team members will monitor monthly to see that sites are submitting bank reconciliations with proper signatures.

Findings and Questioned Costs Related to State Awards

Finding Number: 2018-002
Program Name: Continuation Education
Contact Person: Donna Caperton, Assistant Superintendent Business Services
Anticipated Completion Date: December 2018
Planned Corrective Action: District site attendance department and information technology systems department will work together to make sure that instructional time and hours reconcile with the actual bell schedule. Attendance specialists will review and monitor the weekly maximum time generated by the hourly attendance report to ensure the systems are reconciled.

VISTA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no audit findings reported in the prior year audit report.		

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APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF VISTA AND THE COUNTY OF SAN DIEGO

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The District comprises only a portion of the County of San Diego, and the Bonds are only payable from *ad valorem* property taxes levied on property in the District.

The following information concerning the City of Vista (the “City”) and the County of San Diego (the “County”) is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the City or the County.

Introduction

The City of Vista encompasses approximately 19 square miles and lies approximately seven miles east of the Pacific Ocean in northern San Diego County. Incorporated in 1963, the City operates as a general law city. It has a council-manager form of government, with the Mayor and other council members elected at large for four-year terms.

The County is located in the southwestern corner of the State of California and is bordered by the Pacific Ocean to the west, Orange and Riverside Counties to the north and Imperial County to the east. The County includes 70 miles of the Pacific Ocean coastline, the Anza-Borrego Desert in the eastern portion of the County, the Laguna Mountains and the San Diego Bay, one of the world’s largest natural deep-water harbors. The County is the second-most populous county in California, the fifth-most populous county in the United States, and encompasses approximately 4,526 square miles.

Transportation

Transportation within and without the County is available by car, train, bus and air. Several interstate highways provide access to the County. Interstate Highway 5 runs parallel to the Pacific Coast from the Mexico border and runs north through the County and the State. Interstate Highway 15 provides access inland from the County northeast through Riverside, San Bernardino, Las Vegas and Salt Lake City, while Interstate Highway 8 runs east through the southern United States. In addition, several State routes provide access from the County to adjacent counties and other regions of the State.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown San Diego area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 20 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County, including McClellan-Palomar Airport in Carlsbad. Amtrak provides rail service through the County and local bus and light rail service is available in the City and provides connecting services between most cities in the County.

Education

The County has many higher education opportunities for residents as well as for students who travel from outside of the County to attend its universities. The County is home to three public state universities: University of California, San Diego; San Diego State University; and California State University, San

Marcos; as well as four private universities: University of San Diego, Point Loma Nazarene University, Alliant International University, and National University. In addition, the County has 23 public elementary school districts, six high school districts, and 13 unified school districts providing kindergarten through twelfth grade educational services throughout the County. There are also five community college districts in the County.

Population

The following table shows historical population statistics for the cities in the County as well as the County since 2015.

POPULATION Cities of the County and the County of San Diego Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
Carlsbad	112,216	112,860	114,065	115,095	115,241
Chula Vista	261,989	263,658	265,523	268,060	271,411
Coronado	23,716	25,046	24,514	21,708	24,199
Del Mar	4,339	4,343	4,385	4,442	4,451
El Cajon	102,989	103,901	104,855	105,258	105,559
Encinitas	62,150	62,332	62,992	63,375	63,390
Escondido	149,702	150,729	152,168	152,478	152,739
Imperial Beach	26,904	26,940	27,141	27,202	27,448
La Mesa	59,710	60,323	60,499	60,707	60,820
Lemon Grove	26,573	26,647	26,959	27,068	27,208
National City	60,641	61,116	61,452	62,268	62,307
Oceanside	174,134	175,458	176,806	177,274	178,021
Poway	49,742	49,887	50,083	50,210	50,320
San Diego	1,380,886	1,388,101	1,396,510	1,414,373	1,420,572
San Marcos	92,910	93,868	95,004	96,335	98,369
Santee	56,605	56,595	56,991	57,410	58,408
Solana Beach	13,561	13,749	13,847	13,895	13,933
Vista	97,865	99,373	101,605	101,770	101,987
Balance of County	<u>511,360</u>	<u>512,353</u>	<u>514,227</u>	<u>514,200</u>	<u>515,403</u>
County Total	3,267,992	3,287,279	3,309,626	3,333,128	3,351,786

Based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State.

Source: California State Department of Finance.

Employment

The table below provides the California Employment Development Department's estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry in the County from calendar years 2014 through 2018.

WAGE AND SALARY EMPLOYMENT County of San Diego Calendar Years 2014 through 2018

Industry Category	<u>2014⁽¹⁾</u>	<u>2015⁽¹⁾</u>	<u>2016⁽¹⁾</u>	<u>2017</u>	<u>2018</u>
Mining and Logging	400	300	300	300	400
Construction	63,900	69,900	76,100	81,00	79,100
Manufacturing					
Nondurable Goods	25,100	26,300	27,000	27,600	27,700
Durable Goods	<u>77,100</u>	<u>79,900</u>	<u>80,800</u>	<u>83,100</u>	<u>87,700</u>
Total Manufacturing	<u>102,200</u>	<u>106,200</u>	<u>107,800</u>	<u>110,200</u>	<u>115,400</u>
Transportation, Warehousing & Utilities	27,000	28,400	29,400	33,200	33,000
Trade					
Wholesale	43,700	44,000	44,800	48,900	47,700
Retail	<u>144,300</u>	<u>146,800</u>	<u>147,400</u>	<u>155,400</u>	<u>154,700</u>
Total Trade	<u>188,000</u>	<u>190,800</u>	<u>192,200</u>	<u>204,300</u>	<u>202,400</u>
Financial Activities ⁽²⁾	69,400	71,200	73,000	74,700	74,100
Professional and Business Services	224,300	230,200	234,000	238,400	251,000
Educational and Health Services	186,000	192,700	198,500	207,200	213,500
Leisure and Hospitality	177,000	183,900	190,700	193,200	193,900
Other Services	52,000	53,200	54,900	54,400	58,100
Government					
Federal	41,600	43,800	47,000	47,200	47,700
State and Local	<u>186,200</u>	<u>190,200</u>	<u>195,600</u>	<u>205,300</u>	<u>209,400</u>
Total Government	<u>231,900</u>	<u>236,200</u>	<u>242,100</u>	<u>252,500</u>	<u>257,100</u>
Total Nonagricultural ⁽³⁾	1,346,600	1,386,800	1,422,600	1,474,000	1,502,400

⁽¹⁾ Figures are based on a March, 2016 benchmark.

⁽²⁾ Includes finance, insurance, and real estate.

⁽³⁾ Figures may not add to total due to independent rounding.

Source: State of California Employment Development Department, Labor Market Information Division.

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The following table summarizes the labor force, employment and unemployment figures for the County, the State and the United States from 2014 through 2018.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT⁽¹⁾
County of San Diego, State of California and United States
2014 through 2018

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽²⁾
2014				
San Diego County	1,544,600	1,445,400	99,200	6.4%
California	18,726,400	17,474,600	1,251,800	6.7
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
San Diego County	1,563,800	1,482,500	81,300	5.2%
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
San Diego County	1,570,400	1,497,000	73,500	4.7%
California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
San Diego County	1,584,700	1,521,200	63,500	4.0%
California	19,593,000	18,779,200	813,900	4.2
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
San Diego County	1,594,300	1,541,700	52,600	3.3%
California	19,593,000	18,779,200	813,900	4.2
United States	162,075,000	155,761,000	6,314,000	3.9

⁽¹⁾ Data reflects employment status of individuals by place of residence.

⁽²⁾ Unemployment rate is based on unrounded data.

Source: California State Employment Development Department and U.S. Department of Labor.

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Personal Income

The following tables show the personal income and per capita personal income for the County, the State and United States from 2013 through 2017.

PERSONAL INCOME **County of San Diego, State of California, and United States** **2013-2017**

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	\$159,087,705	\$1,860,628,000	\$13,987,200,000
2014	169,896,807	1,965,276,000	14,565,400,000
2015	180,101,999	2,107,422,000	15,235,400,000
2016	186,149,364	2,167,615,000	15,460,900,000
2017	193,296,405	2,228,776,000	15,857,200,000

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

PER CAPITA PERSONAL INCOME⁽¹⁾ **County of San Diego, State of California, and United States** **2013-2017**

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	\$49,460	\$48,520	\$44,231
2014	52,166	50,781	45,714
2015	54,742	53,991	47,457
2016	56,116	55,161	47,806
2017	57,913	56,372	48,683

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

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

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Major Employers

The following table sets forth the ten largest employers in the City in 2018.

MAJOR EMPLOYERS City of Vista 2018

Employer	Number of Employees	Percentage of Total City Employment
Vista Unified School District	2,344	5.15%
Watkins Manufacturing Group	781	1.72
Zodiac Pool Systems, Inc.	497	1.09
D J Orthopedics, LLC	400	0.88
Costco Wholesale	316	0.69
J+D Laboratories, Inc.	300	0.66
Walmart Stores	293	0.64
Applied Membranes, Inc.	280	0.62
Jeld-Wen Windows and Doors	261	0.57
US Foodservice, Inc.	250	0.55

Source: City of Vista 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

The following table sets forth the ten largest employers in the County in 2018.

MAJOR EMPLOYERS County of San Diego 2018

Employer	Number of Employees	Percentage of Total County Employment
University of California, San Diego	34,488	2.26%
Naval Base San Diego	34,185	2.24
Sharp Healthcare	18,364	1.20
County of San Diego	17,413	1.14
Scripps Health	14,941	0.98
San Diego Unified School District	13,815	0.91
Qualcomm Inc.	11,800	0.77
City of San Diego	11,462	0.75
Kaiser Permanente San Diego	9,606	0.63
UC San Diego Health	8,932	0.59

Source: County of San Diego 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

Commercial Activity

A summary of taxable sales within the County from 2014 through 2018, the most recent data available, is shown in the following table.

TAXABLE SALES
County of San Diego
2014-2018
(Dollars in Thousands)

<u>Year</u>	<u>Retail and Food</u> <u>Permits</u>	<u>Retail and Food</u> <u>Taxable</u> <u>Transactions</u>	<u>Total Permits</u>	<u>Total Outlets</u> <u>Taxable</u> <u>Transactions</u>
2014	59,705	\$37,257,495	86,671	\$52,711,639
2015	58,838	37,989,566	95,645	54,185,588
2016	58,391	38,576,363	95,435	55,407,867
2017	59,798	40,371,715	97,412	57,551,360
2018	59,836	41,886,825	100,674	59,041,042

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2014 through 2018 are shown in the following tables for City and the County.

BUILDING PERMIT VALUATIONS

City of Vista

2014-2018

(Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation (\$000's)					
Residential	\$131,568	\$76,834	\$58,456	\$28,315	\$58,345
Non-Residential	<u>14,635</u>	<u>19,309</u>	<u>21,006</u>	<u>13,664</u>	<u>51,782</u>
Total	\$146,203	\$96,143	\$79,462	\$41,979	\$110,128
Units					
Single Family	84	139	164	40	91
Multiple Family	<u>768</u>	<u>310</u>	<u>0</u>	<u>138</u>	<u>218</u>
Total	852	449	164	178	309

Note: Columns may not sum to totals because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS

San Diego County

2014-2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation (\$000's)					
Residential	\$1,818,853	\$2,447,042	\$2,472,237	\$2,632,826	\$2,680,400
Non-Residential	<u>1,920,627</u>	<u>1,862,502</u>	<u>1,782,421</u>	<u>2,371,303</u>	<u>1,896,378</u>
Total	\$3,739,480	\$4,309,544	\$4,254,658	\$5,004,128	\$4,576,778
Units					
Single Family	2,276	3,136	2,420	3,960	3,421
Multiple Family	<u>4,327</u>	<u>6,869</u>	<u>7,680</u>	<u>6,056</u>	<u>6,190</u>
Total	6,603	10,005	10,100	10,016	9,611

Note: Columns may not sum to totals because of rounding.

Source: Construction Industry Research Board.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Vista Unified School District (the “District”), in connection with the issuance of \$_____ aggregate principal amount of the Vista Unified School District (San Diego County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on October 17, 2019 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Raymond James & Associates (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be [the District.]

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“Material Events Disclosure” means dissemination of a notice of a Material Event as set forth in Section 6.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/> or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated November __, 2019 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 8 months after the end of the District's fiscal year (currently ending June 30), which date would be March 1, commencing with the report for the fiscal year ending June 30, 2019, which would be due on March 1, 2020, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted general fund budget for the current fiscal year;

(ii) Assessed valuations for the current fiscal year;

(iii) Top twenty taxpayers within the District for the current fiscal year;

(iv) Average daily attendance; and

(iv) Property tax levy, collections and delinquencies, only if the County terminates or discontinues the Teeter Plan with the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (ii) Modifications of rights to Bondholders;
- (iii) Optional, unscheduled or contingent Bond calls;

- (iv) Release, substitution or sale of property securing repayment of the Bonds;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; or
- (viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Bondholders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default

under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: December __, 2019

VISTA UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Vista Unified School District

Name of Issue: \$_____ Vista Unified School District (San Diego County, California)
2019 General Obligation Refunding Bonds

Date of Issuance: December __, 2019

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated December __, 2019. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By:_____

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APPENDIX E

SAN DIEGO COUNTY INVESTMENT POLICY STATEMENT

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**SAN DIEGO COUNTY TREASURER'S
POOLED MONEY FUND
INVESTMENT POLICY**

January 1, 2019

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686. Section 53635 shall apply to a local agency that is a county or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. However, Section 53601 shall apply to all local agencies that pool money in deposits or investments exclusively with local agencies that have the same governing body.

The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws, allowing for the dynamics of the money markets, will be the focus of this policy statement. All matters contained in this policy are to be read and applied pursuant to and consistent with state law. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing the Pooled Money Fund (the "Fund") the objectives of this office shall be as follows.

- 1. The primary objective shall be to safeguard the principal of the funds under the County Treasurer's control.**
- 2. The secondary objective shall be to meet the liquidity needs of the participants.**
- 3. The third objective shall be to achieve an investment return on the funds under control of the County Treasurer within the parameters of prudent risk management.**

The Fund is an actively managed portfolio. By this, it is meant that the County Treasurer and his staff will observe, review, and adjust to changing conditions that affect the Fund. This shall be viewed as a full-time responsibility by the County Treasurer and his staff. The authority to execute investment transactions that will affect the Fund will be limited to:

**County Treasurer-Tax Collector
Assistant Treasurer-Tax Collector
Chief Deputy Treasurer
Chief Investment Officer
Investment Officers**

The County Treasurer and the above staff will meet on a regular basis to discuss current market conditions and future trends and how each of these affects the Fund.

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**2018 SAN DIEGO COUNTY TREASURER'S
POOLED MONEY FUND INVESTMENT POLICY**

The purpose of the County Treasurer's Investment Policy is to implement the legislated parameters of the investment authority of the Fund. As an elected official of the County of San Diego, the County Treasurer must manage public monies in a way that is consistent with its objectives, investment oversight, and sound investment practices and not solely to maximize returns. The basic concept of investment return is based on a risk/reward relationship; the higher the risk, the higher the expected return. Risk management must be an integral part of any investment policy. Risk management must include adequate internal controls so that Fund depositors and the public have confidence that public monies are secure. The policy stated below will concern itself with risk management.

1. **SECURITY OF PRINCIPAL POLICY** - The policy issues directed to protecting the principal entrusted to this office are:
 - A. Limiting the Fund's exposure to each type of security.
 - B. Limiting the Fund's exposure to each issuer of debt.
 - C. Determining the minimum credit requirement for each type of security.
2. **LIQUIDITY POLICY** - The policy issues directed to provide the necessary liquidity to the participants are:
 - A. Limiting the length of maturity for securities in the Fund.
 - B. Limiting the Fund's exposure to Moderately Liquid and Illiquid securities.
3. **RETURN POLICY** - The policy issues directed to achieving a return are:
 - A. Attaining a market rate of return while taking into account the investment risk constraints and liquidity needs.
 - B. Limiting a majority of the investments to low-risk securities in anticipation of earning a fair return relative to the risk being taken.
4. **MATURITY POLICY**
 - A. The maximum maturity allowed by the California Government Code is 5 years, with shorter limitations specified for certain types of securities. The guidelines for maturities of investments and duration of the Fund, as established under this Policy, shall be:
 - At least 35% of the Fund maturing within 1 year
 - At least 15% of the Fund maturing within 90 days, and
 - A maximum effective duration of 2.0 years

- B. The Fund will be considered in compliance with the maturity policy if it meets the maturity targets above. In the event that the Fund distribution does not comply with the table above, until such time as the Fund is within maturity targets, all securities purchased shall be of a maturity or duration that will lower the maturity and or duration of the Fund. In the event a compliance violation has occurred, a variance report shall be made to the Oversight Committee as part of the normal monthly reporting.

5. **GENERAL STRATEGY**

The County Treasurer will generally use a buy and hold investment strategy, where securities are purchased with the intent of holding them to maturity. The investment staff will update the Treasury Oversight Committee on its asset allocation and investment strategy at its regularly scheduled meetings. Securities may be sold prior to maturity when deemed prudent. Reasons for selling include, but are not limited to:

- A security with declining credit quality
- A financially advantageous sale and replacement of a security that improves the quality, yield, or target duration of the portfolio
- Meeting the liquidity needs of the portfolio
- Portfolio rebalancing to bring the portfolio back into compliance

6. **PROHIBITED SECURITIES**

The California Government Code prohibits a local agency from investing in any of the following derivative notes:

- Inverse Floaters
- Range Notes
- Interest-only strips derived from a pool of mortgages
- Any security that could result in zero interest accrual

7. **CREDIT RATING POLICY**

- A. This Investment Policy sets forth minimum credit ratings for each type of security. These credit limits apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the policy limits.
- B. Minimum credit ratings:
- a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one nationally recognized statistical rating organization (the "NRSRO").
 - b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.
- C. The monitoring of credit ratings consists of the following procedures:

1. When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, the Chief Investment Officer and staff will analyze and evaluate the credit to determine whether to hold or sell the security.
2. In the event a security in the Fund receives a credit rating downgrade which results in a rating below the minimum credit requirement, the Investment Group will report the rating change to the Oversight Committee in the monthly report. In the same manner, the Oversight Committee will be informed on the Investment Group's decision to hold or sell a downgraded security.
3. The Investment Group shall meet at least quarterly to review and update the approved list of securities and establish credit criteria for each category of security.

To ensure that the Fund maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

8. INTERNAL CONTROLS

- A. The Chief Deputy Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:
 1. The cost of a control should not exceed the benefits likely to be derived; and
 2. The valuation of costs and benefits requires estimates and judgments by management.
- B. Accordingly, the Chief Deputy Treasurer shall establish and maintain internal controls that shall address the following points:
 1. Control of Collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer. To achieve a segregation of duties, individuals who authorize investment transactions shall not also record or reconcile said transactions.
 2. Clear Delegation of Authority to Subordinate Staff Members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
 3. Custodial Safekeeping - Securities purchased from any bank or dealer, including appropriate collateral (as defined by California Government Code), that are not

insured by the FDIC, shall be placed with an independent third party for custodial safekeeping.

4. Avoidance of Physical Delivered Bearer Securities - Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Bearer securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with such securities.
5. Written Confirmation of Telephone Wire Transfers - Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written or electronic communications and approved by the appropriate person.
6. Development of a Wire Transfer Agreement with the Lead Bank or Third-Party Custodian - This agreement should outline the various controls, security provisions, and responsibilities of each party making and receiving wire transfers.
7. A treasury operations manual, as overseen by the Chief Deputy Treasurer, will be reviewed and updated by the treasury staff every two years or on an as needed basis.
9. **ANNUAL AUDIT** - The Treasury Oversight Committee shall cause an independent review to be conducted annually on a fiscal year basis by an external auditor to determine if the County Treasury is in compliance with the Investment Policy, other internal policies and procedures, and the California Government Code.
10. **PERMISSIBLE INVESTMENTS** - Government Codes 53601, 53601.1, 53601.2, 53601.8, 53635, 53635.8, 53637, 53638, 53651, 53652, and 53653 address permissible investments. These investment categories are addressed individually in sections 11-26 below.
11. **GOVERNMENT OBLIGATIONS** - The Fund invests in two categories of Government Obligations: U.S. Treasury and Agency obligations. Both are issued at the Federal level. U.S. Treasury obligations are bills, notes, and bonds issued by the Treasury and are direct obligations of the Federal Government. Agency obligations are notes and bonds of federal agencies and government sponsored enterprises, including:
 - Federal National Mortgage Association (FNMA)
 - Federal Home Loan Bank (FHLB)
 - Federal Farm Credit Bank (FFCB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Government National Mortgage Corporation (GNMA)
 - Tennessee Valley Authority (TVA)
- A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

2019 San Diego County Treasurer's
Pooled Money Fund Investment Policy

- B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category is unlimited.
 - C. Maximum Exposure Per Issuer - The maximum exposure to the Fund for an individual issuer shall be:
 - 1. Treasury - Unlimited
 - 2. Agency - No more than 35% of the Fund value shall be invested in any single issuer.
 - D. Minimum Credit Requirement - None
 - E. Liquidity Category - Liquid
12. **LOCAL AGENCY AND STATE OBLIGATIONS** -These include registered state warrants or treasury notes or bonds of the state of California and registered bonds of any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state and bonds, notes, warrants, or other evidences of indebtedness of a local agency within the state of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.
- A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.
 - B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.
 - C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.
 - D. Minimum Credit Requirement - Issuers must be at or above the following ratings:
 - a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.
 - b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.
 - E. Liquidity Category - Moderately Liquid
13. **BANKER'S ACCEPTANCES** - This is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in a secondary market. The purpose of the Banker's Acceptance (BA) is to facilitate trade and provide liquidity to the import-export markets. Acceptances are collateralized by the pledge of documents such as invoices, trust

receipts, and other documents evidencing ownership and insurance of the goods financed. Since their inception in 1914, there has been no known loss of principal to investors holding Banker's Acceptances.

- A. Maximum Maturity - The maximum maturity of a security shall be 180 days from the settlement date.
 - B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.
 - C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.
 - D. Minimum Credit Requirement – The rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as “+” or “-”) by at least one NRSRO.
 - E. Liquidity Category – Liquid
14. **COMMERCIAL PAPER** - These are short-term, unsecured, promissory notes issued by firms in the open market. Commercial paper (CP) is generally backed by a bank credit facility, guarantee/bond of indemnity, or some other support agreement.
- A. Maximum Maturity - The maximum maturity of a security shall be 270 days from the settlement date.
 - B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.
 - C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.
 - D. Minimum Credit Requirements - The Rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as “+” or “-”) by at least one NRSRO.
 - E. Liquidity Category - Liquid
15. **MEDIUM-TERM NOTES (“MTN”)** - These are corporate notes, deposit notes, and bank notes sold by an agent in the open market on a continually offered basis. Issuers include well-recognized banks and bank holding companies, thrifts, finance companies, insurance companies, and industrial corporations. These medium-term notes are generally unsecured debt obligations, although some issues come to market on a collateralized or secured basis.
- A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

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Pooled Money Fund Investment Policy

- B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.
 - C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.
 - D. Minimum Credit Requirements - Issuers must be at or above the following ratings:
 - a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.
 - b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.
 - E. Liquidity Category - Liquid
16. **NEGOTIABLE CERTIFICATES OF DEPOSIT** - These are issued by commercial banks and thrift institutions against funds deposited for specified periods of time, and they earn specified or variable rates of interest. Negotiable certificates of deposit ("NCD") differ from other certificates of deposit by their liquidity. NCD's are traded actively in secondary markets.
- A. Maximum Maturity
 - 1. The maximum maturity of a NCD security shall be 5 years from the settlement date.
 - 2. The maximum maturity of any FDIC insured CDs, whether directly placed or placed through a private sector entity, shall be 13 months.
 - B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.
 - D. Maximum Exposure per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.
 - E. Minimum Credit Requirement – Issuers must be at or above the following ratings:
 - a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.
 - b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.
 - F. Liquidity Category - Liquid
17. **REPURCHASE AGREEMENTS** - A repurchase agreement (RP) consists of two simultaneous transactions. One is the purchase of securities by an investor (the Fund); the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed-upon future date.

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- A. Maximum Maturity - The maximum maturity of repurchase agreements shall be one year.
 - B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.
 - C. Maximum Exposure Per Broker/Dealer - The maximum exposure to a single broker/dealer shall be 10% of the Fund when the dollar-weighted average maturity is greater than 5 days or 15% of the Fund when the dollar-weighted average maturity is 5 days or less.
 - D. Eligible Broker/Dealers - Broker/Dealers shall sign a PSA Master Repurchase Agreement or a Tri-Party Repurchase Agreement. The Agreement must specify a minimum margin percentage of 102% and also provide for daily mark-to-market of the collateral by the custodian bank.
 - E. Eligible Collateral - The securities eligible for repurchase agreement transactions shall be securities authorized in Section 53601 of the California Government Code. Collateral eligible for repurchase agreements maturing from 7 days to 1 year shall be Treasury and Agency obligations.
 - F. Delivery of Collateral - Broker/Dealers shall deliver the underlying securities to the County's safekeeping bank, a mutually agreed-upon third party custodian bank, or a counterparty bank's customer book-entry account. When a third-party custodian is used, it will be the custodian's responsibility to transfer funds and securities between the broker/dealer and the Fund in accordance with the terms of the repurchase agreement.
 - G. Liquidity Category - Liquid
18. **REVERSE REPURCHASE AGREEMENTS** - Reverse repurchase agreements (RRPs) are essentially the mirror image of RPs. In this instance, the Fund is the seller of securities and the broker or bank is the investor.

Due to the nature of RRP, the policy regarding this instrument is different from the above RP policy.

- A. Maximum Maturity - The maximum maturity of a securities lending loan shall be 92 days unless the agreement includes a written guarantee of a minimum earning or spread for the entire period of the RRP.
- B. Maximum Exposure of Fund - No more than 20% of the Fund shall be exposed to RRP and/or securities lending at any one time.
- C. Maximum Exposure Per Broker/Dealer – No more than 10% of the Fund shall be invested in RRP with any one broker/dealer at any one time.

- D. Purpose of RRP - The uses of RRP shall be to invest the proceeds from the agreement into permissible securities that are in the highest short-term rating category; to supplement the yield on securities owned; or to provide funds for the immediate payment of an obligation. The maturity of the RRP and the maturity of the security purchased shall be the same.
 - E. Eligible Securities - A RRP may only be entered into with a security authorized in California Government Code 53601 which has been owned and paid for 30 days prior to the settlement of the RRP.
 - F. Eligible Broker/Dealer - Broker/Dealers shall be primary broker/dealers of the Federal Reserve Bank of New York.
 - G. Liquidity Category - Liquid
19. **SECURITIES LENDING** - This is a program conducted by an agent authorized to execute securities lending under the guidelines listed under RRP and as detailed in the "Services for Securities Lending Agreement." A securities lending transaction is when the Fund transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future. The loans must be secured continuously by cash collateral or securities and maintained at a value of at least equal to 102 % of the market value of the securities loaned. During the term of the loan, the Fund will continue to receive the equivalent of the interest paid by the issuer of the securities loaned. The Fund will have the right to call the loan and receive the securities loaned at any time with one day's notice.
- A. Maximum Maturity - The maximum maturity of a securities lending loan shall be 92 days.
 - B. Maximum Exposure of Fund - No more than 20% of the Fund shall be exposed to securities lending and/or RRP at any one time.
 - C. Maximum Exposure Per Counterparty - No more than 10% of the Fund shall be on loan with any single counterparty at any one time.
 - D. Proceeds shall be invested in securities authorized by California Government Code and this Investment Policy.
20. **COLLATERALIZED CERTIFICATES OF DEPOSIT** - This is the deposit of funds in state or national banks, state or federal savings and loan associations, federal credit unions, or FDIC-insured industrial loan companies in California per California Government Code Section 53652. The deposit of the funds will be made under the following conditions:
- A. The deposit may not exceed the total of the paid-in capital and surplus of a depository.

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Pooled Money Fund Investment Policy

- B. The depository must maintain securities with a market value of at least 10% in excess of the total amount of the Fund's deposits. These securities will be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed-upon third party custodian bank.
 - C. The County Treasurer may waive the first \$250,000 of collateral for each depository, so long as that amount is insured by an agency of the Federal Government. The documents listed below in D will not be required for deposits of \$250,000 or less.
 - D. Each institution that receives Fund deposits must provide the County Treasurer with an up-to-date Contract, Annual Report, Affirmative Action Policy, Community Reinvestment Act Statement, and EEO-1 Form.
 - E. Maximum Maturity – The maximum maturity of a collateralized CD shall be 13 months.
 - F. Maximum Exposure of Fund – The maximum exposure to the Fund for this category shall be 5%.
 - G. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.
 - H. Institutions at or above the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO may pledge mortgage-based collateral for County deposits.
 - I. Liquidity Category - Illiquid
21. **FDIC & NCUA INSURED DEPOSIT ACCOUNTS** – This is the deposit of funds in a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state per California Government Code Section 53635.8. The deposit of funds will be made under the following conditions:
- A. The deposit of funds may be placed directly with a selected depository institution, not to exceed the issuance limit from the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).
 - B. A selected depository may use a private sector entity to help place deposits with one or more commercial bank, savings bank, savings and loan association, or credit union located in the United States.
 - C. The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).
 - D. Maximum Maturity - The maximum maturity of an FDIC or NCUA Insured Deposit Account shall be 13 months.

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- E. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 5%.
 - F. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.
 - G. Minimum Credit Requirement - There is no minimum credit requirement for FDIC or NCUA insured deposit accounts whether directly placed or placed through a private sector entity.
 - H. California Government Code Section 53636.8 shall remain in effect until January 1, 2021.
 - I. Liquidity Category - Illiquid
22. **COVERED CALL OPTION/PUT OPTION** - An option is the right to buy or sell a specific security within a specific time period at a specific price.
- A. A covered call is when the County Treasurer sells the option to another party giving them the right to buy an existing security in the Fund at a specific price within a specific time period.
 - B. A put option is when the County Treasurer sells the option to another party giving them the right to sell to the County Treasurer a security at a specific price within a specific time period.
 - C. The seller of a covered call option/put option is paid at the time of the sale of the option. At the end of the option period, if the option is not exercised, the right to buy or sell the security is canceled.
 - D. The County Treasurer will act only as a seller of covered call and put options with the following exception: County Treasurer may buy an option to offset an existing open option position.
 - E. Securities subject to covered calls shall not be used for Reverse Repurchase Agreements.
 - F. Cash sufficient to pay for outstanding puts shall be invested in securities maturing on or before the expiration date of the options.
 - G. Maximum Maturity - The maximum maturity of a covered call option/put option shall be 90 days.
 - H. Maximum Exposure of Fund - No more than 10% of the Fund may have options written against it at any given time.
 - I. Counterparty Risk - Options shall only be written with primary broker/dealers of the Federal Reserve Bank of New York.

- J. Liquidity Category - Liquid
23. **MONEY MARKET MUTUAL FUND** – These investments consist of shares of beneficial interest issued by management companies. Such shares represent ownership of a diversified portfolio of securities, which are redeemable at their net asset value. The Government Code allows for purchases of many types of mutual funds, but the Fund will limit use to money market mutual funds managed to maintain a stable NAV.
- A. Maximum Exposure - The maximum exposure to the Fund for this category shall be 20%.
 - B. Maximum Exposure Per Fund - The maximum exposure to a single mutual fund shall be 10% of the Fund value.
 - C. Purchase Price - The purchase price of the mutual fund shall not include any commission.
 - D. Minimum Credit Requirement - Mutual fund ratings must be in the highest rating category by at least two NRSROs or retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience in managing money market mutual funds and with assets under management in excess of five hundred million dollars.
 - E. Liquidity Category - Liquid
24. **INVESTMENT TRUST OF CALIFORNIA (CalTRUST)** - This is a pooled investment program through the CalTRUST Joint Powers Authority authorized by Government Code Section 53601(p). The Fund shall only invest in products offered through CalTRUST that comply with the California Government Code and all relevant sections of this Investment Policy.
- A. Maximum Exposure - The maximum exposure to the Fund for this category shall be 2.5%, subject to limitations placed upon deposits by CalTRUST.
 - B. Minimum Credit Requirement – CalTRUST fund ratings must be in the highest rating category by at least one NRSRO.
 - C. Liquidity Category - Liquid
25. **PASS-THROUGH SECURITIES** - These will be limited to equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds.
- A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.
 - B. Maximum Exposure - The maximum exposure to the Fund for this category shall be 20%.

- C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.
 - D. Minimum Credit Requirement - The security must be rated "AA" or higher by at least one NRSRO.
 - E. Liquidity Category - Liquid
26. **WHEN-ISSUED SECURITIES** - The Fund may invest in new issues of Government Obligations offered on a when-issued basis; that is, delivery and payment take place after the date of the commitment to purchase, normally within 15 days. Both price and interest rate are fixed at the time of commitment. This allows the Fund to lock in an interest rate that may not be available on the issue date. The Fund does not earn interest on the securities until settlement, and the market value of the securities may fluctuate between purchase and settlement. Such securities can be sold before settlement.
27. **SUPRANATIONALS** – The fund may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by multi-national organizations, including:
- Inter-American Development Bank (IADB)
 - International Bank for Reconstruction and Development (IBRD)
 - International Finance Corporation (IFC)
- A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.
 - B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.
 - C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.
 - D. Minimum Credit Requirement - The security must be rated "AA "or higher by at least one NRSRO.
 - E. Liquidity Category - Liquid
28. **QUALIFIED BROKERS AND DEALERS** - In order to minimize risk in making investments under this Investment Policy, all investments will be made only through qualified dealers.
- A. A qualified dealer must be a bank, savings and loan association, or an investment securities dealer. Commercial Paper and Certificate of Deposit issuers may be considered qualified dealers for direct issuance of their paper.

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- B. Any dealer entering into a new business relationship to conduct security transactions with the County Treasurer is required to make application to the County Treasurer.
 - C. The dealer must ensure that its staff is aware of the County Treasurer's Investment Policy and the California Government Code Sections 53601 and 53635.
 - D. Investment securities dealers for Reverse Repurchase Agreements must be primary dealers regularly reporting to the Federal Reserve Bank.
 - E. The dealer is required to have net capital in excess of \$1 million with liquidity lines of \$50 million or more.
 - F. The dealer is required to maintain an active secondary market for securities sold to the County and must be competitive in price for bids and offers.
 - G. The dealer will be monitored by the Chief Investment Officer and staff to ensure the services the County requires are delivered in a timely and efficient manner.
 - H. The primary account representative must be in the institutional or middle market fixed income division with 5 years or more experience covering large municipalities.
 - I. A qualified dealer must not have made any political contributions to the County Treasurer, any member of the Board of Supervisors, or any candidate for these offices within any consecutive 48-month period following January 1996. The exception is if the broker/dealer is entitled to vote for any of these offices, in which case the contributions shall not be in excess of \$250 to each official per election.
 - J. Each dealer, at minimum every three years, or more frequently if requested, will be required to respond to the County's Request for Information (RFI) providing the County with up-to-date financial and investment experience information in order to continue in its role.
29. **DELEGATION OF INVESTMENT AUTHORITY TO THE COUNTY TREASURER** - The State of California gives the Board of Supervisors the ability to delegate investment authority to the County Treasurer for a one-year period in accordance with Section 53607 of the California Government Code. The delegation will require renewal each year.
30. **SAFEKEEPING AUTHORITY**
- A. The State of California gives the Board of Supervisors the ability to delegate the deposit for safekeeping authority to the County Treasurer in accordance with Section 53608 of the California Government Code. Board Resolution 109 adopted September 29, 1959 delegated this authority to the County Treasurer.
 - B. In exercising this safekeeping function, the County Treasurer will require depositories to provide evidence that they are taking reasonable measures to prevent unauthorized access to the depository's electronic data files.

- C. The County Treasurer's Continuity of Operations Plan (COOP) addresses contingency plans in the event that a disaster, natural or otherwise, disrupts normal operations. Contingency plans vary depending upon the severity and expected longevity of the disruption.

- 31. **EXTERNAL OVERSIGHT** - The County Treasurer shall retain an independent third-party investment advisor to provide oversight and compliance monitoring.

The County Treasurer will also retain an NRSRO to provide a rating for the Fund and will have in place an internal system to provide credit and compliance monitoring.

- 32. **COUNTY TREASURY OVERSIGHT COMMITTEE** - The Board of Supervisors has established a County Treasury Oversight Committee pursuant to Sections 27130-27137 of the California Government Code. The County Treasurer shall annually prepare an investment policy that will be reviewed and monitored by the County Treasury Oversight Committee and shall be reviewed and approved at a public hearing by the Board of Supervisors.

- 33. **RULES GOVERNING THE ACCEPTANCE OF HONORARIA, GIFTS, AND GRATUITIES:**

A. The County Treasury Oversight Committee:

- 1. Gifts and Gratuity Limits: - Members may not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from an advisor, broker, dealer, banker, or other persons with whom the County Treasurer conducts business.
- 2. Honorarium Limits - Members may not accept any honorarium from advisors, brokers, dealers, bankers, or other persons with whom the County Treasurer conducts business.
- 3. Employment - A member may not be employed by an entity that has contributed to the campaign of a candidate for the office of the County Treasurer or a candidate for a legislative body of a local agency that has deposited funds in the County Treasury in the previous three years or during the period the employee is a member of the Oversight Committee. A member may not secure employment with bond underwriters, bond counsel, security brokers or dealers, or financial services firms during the period that the person is a member of the Committee or for one year after leaving the Committee.
- 4. Contributions - A member may not directly or indirectly raise money for a candidate for County Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee.

B. The County Treasurer and Designated Employees:

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1. Gifts and Gratuity Limits - The County Treasurer and designated employees may not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from a single source that does business with the County Treasurer's Office.
 2. Honorarium Limits - The County Treasurer and designated employees may not accept any honorarium.
 3. Form 700 "Statement of Economic Interests" - The County Treasurer and designated employees are required to file a Form 700 annually.
34. **REPORTING** - The County Treasurer shall prepare an investment report monthly to be posted on the County Treasurer Tax-Collector's website.
- A. The report will be available to the following officials:
 1. Board of Supervisors
 2. Oversight Committee
 3. Chief Administrative Officer
 4. Auditor & Controller
 5. Pool Participants
 - B. The report will include the following:
 1. A summary of Fund statistics
 2. The type of investment, issuer, maturity date, par value, and dollar amount invested for all securities, investments, and monies held by the Fund
 3. A description of any of the Fund's investments or programs that are under management of contracted parties, including the securities lending program
 4. Current market value and the source of the valuation as of the date of the report for all securities held by the Fund
 5. Securities lending portfolio, if applicable
 6. Pool purchases, sales, and maturities
 7. Pooled Money Fund cash flow forecast demonstrating the Fund's ability to meet cash flow requirements for the next six months
 8. Statement of compliance with the Investment Policy

35. **COSTS AND EARNINGS APPORTIONMENT**

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- A. Prior to quarterly interest distribution, investment costs incurred by the County Treasurer will be deducted from the interest earnings of the pool and Dedicated Portfolios based on an equitable distribution formula. The costs, which are authorized by Government Code Section 27013, are made up of direct costs (salaries, banking services, computer services, and supplies) and indirect costs (department overhead and external overhead).
 - B. The Pool earnings distributed to each participant are proportionate to the average daily balance of the amounts on deposit by the participant. The County Auditor and Controller conducts the apportionment process based on the net earnings of the Fund each quarter.
 - C. In the event there is a negative balance in a participant's fund at any time, it shall reduce the average daily balance for the fund. If at quarter-end there is a negative average daily balance in a participant's fund, that fund will be charged the higher of the pool's earning rate for the quarter or a proxy TRANS cost.
 - D. The apportionment rate is set approximately ten business days after each calendar quarter end. Apportionments are not paid out by warrants; all earnings are credited to the participant's fund balance.
36. **TERMS AND CONDITIONS FOR DEPOSITING FUNDS BY VOLUNTARY PARTICIPANTS -** California Government Code Section 53684 allows local agencies, upon adoption of a resolution by the governing body of the agency, the option of depositing excess funds in the County Treasury for the purpose of investment by the County Treasurer.
- A. The County, in its regional role to assist and aid other local agencies, adopted Board Resolution 11 on March 24, 1987, to allow agencies to deposit excess funds with the County Treasurer for investment. The limitation on acceptance of voluntary deposits and this Investment Policy are structured to help to ensure that, pursuant to Section 27133 of the California Government Code, the County Treasurer shall be able to find that all proposed deposits/withdrawals will not adversely affect the interests of the other depositors in the Fund.
 - B. The policy for the acceptance of local agency deposits is:
 - 1. The local agency must sign an Investment Management Agreement.
 - 2. The maximum amount of transactions per month shall be 10 per local agency.
 - 3. The local agency must provide cash flows on a quarterly basis indicating projected withdrawals from the Fund.
 - C. Before any deposits for new accounts from Voluntary Participants can be accepted by the County Treasurer, the local agency must perform the following:

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1. Provide a resolution adopted by the Board or governing body that authorizes the local agency to deposit excess funds in the County Treasury for the purpose of investment by the County Treasurer. The resolution must:
 - a) be signed by an authorized official
 - b) indicate the resolution number and date passed by the Board or governing body,
 - c) indicate the persons authorized to initiate deposits to and instruct withdrawals from the Fund,
 - d) bear the seal of the local agency, if the local agency has a seal.
2. Provide wire/ACH transfer instructions for cash withdrawals from the Fund. All withdrawals will be paid by electronic funds transfer.
3. Establish a trust account through the County Auditor and Controller's General Accounting Division.

37. CRITERIA FOR WITHDRAWAL OF MONIES FROM THE FUND BY VOLUNTARY PARTICIPANTS

- A. Before a local agency withdraws monies from the Fund, it must submit a withdrawal request a minimum of 2 working days prior to the desired withdrawal date. Although not encouraged, shorter notice may be honored at the discretion of the County Treasurer's Office if the withdrawal does not cause the Fund to fall out of compliance with its maturity policy or jeopardize its ability to meet cash flow requirements.
- B. When monies are requested for withdrawal, the County Treasurer's Office must find that the withdrawal will not adversely affect the interests of all other depositors in the Fund.

38. GRANDFATHERED AGENCIES

- A. Grandfathered agencies that use the services of the County to keep their records and/or issue warrants/wires for the agency can continue to function in this manner and will be treated as a mandatory participant (assuming the agency continues to make deposits into the Fund).
- B. These agencies can also opt to be treated as Voluntary Participants and elect to withdraw funds in the same fashion as the other Voluntary Participants. However, any agency so opting shall be subject to all restrictions placed upon the other Voluntary Participants.

GLOSSARY OF TERMS

BID - The price offered by a buyer of securities.

CREDIT RATING - The alphanumeric score which provides an assessment of the credit opinion of one of the Nationally Recognized Statistical Rating Organizations for a particular investment or issuing entity.

DEDICATED PORTFOLIO - Any assets, besides those held in the Fund, invested by the County Treasurer on behalf of any San Diego County agency.

DOLLAR-WEIGHTED AVERAGE MATURITY - The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION - A measure of the price volatility of a portfolio that reflects an estimate of the projected increase or decrease in the value of a portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every 1.0 percent increase in interest rates, the market value of a portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT - The quarterly interest distribution to the Pool Participants after the actual investment costs incurred by the County Treasurer are deducted from the interest earnings of the Fund.

EFFECTIVE DURATION OR OPTION-ADJUSTED DURATION - The approximate percentage price change of a bond for a 100 basis point parallel shift in the yield curve, allowing for the cash flow to change as a result of the change in yield.

GRANDFATHERED AGENCIES- Some fire districts and other agencies that use the County's banking and accounting services.

ILLIQUID – Investments for which 1) the secondary market is non-existent or thinly traded, 2) it is not possible to access funds prior to maturity, or 3) One cannot liquidate at the cost of principal.

ISSUER - The entity identified as the counterparty or obligator related to a security trade.

INVESTMENT GROUP - Group consisting of the County Treasurer, Chief Deputy Treasurer, Chief Investment Officer, and Investment Officers.

INVESTMENT MANAGEMENT AGREEMENT - An agreement between a voluntary participant and the San Diego County Treasurer-Tax Collector. The agreement addresses the terms and conditions of local agencies' deposits of funds for investment into the Fund.

LIQUID – Term for securities that can be converted to cash quickly.

MODERATELY LIQUID - Securities that can be converted to cash quickly with the potential for minimum loss of principal.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO) - A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

OFFER - The price at which a holder of a security would be willing to sell the security.

PORTFOLIO VALUE - The total book value of all the securities held in the Fund.

PRUDENT RISK - An investment system in which the investor will invest conservatively to receive a stable income with little risk.

SAFEKEEPING - A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SELECTED DEPOSITORY INSTITUTION - A nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in the state of California.

SHORT-TERM - The term used to describe a security when the maturity is one year or less.

VOLUNTARY PARTICIPANTS - Local agencies that are not required to deposit their funds with the County Treasurer.

WHEN-ISSUED SECURITIES - A security traded before it receives final trading authorization, with the investor receiving the certificate/security only after the final approval is granted.

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Appendix A
Approved Broker/Dealers

[Link to approved broker/dealers](#)

APPENDIX B - POLICY GUIDELINES

Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum % With One Issuer	Minimum Rating
US Treasury Obligations	5 years	No Limit	No Limit	No Limit
Agency Obligations	5 years	No Limit	35%	No Limit
Local Agency Obligations	5 years	30%	10%	A
Banker's Acceptances	180 days	40%	5%	A-1
Commercial Paper (1)	270 days	40%	10%	A-1
Medium Term Notes	5 years	30%	5%	A
Negotiable Certificate of Deposits	5 years	30%	10%	A-1/A
Repurchase Agreements	1 year	40%	Note (2)	No Limit
Reverse Repurchase Agreements	92 days	20%	10%	No Limit
Collateralized Certificates of Deposit	13 months	5%	5%	No Limit
FDIC & NCUA Insured Deposit Accounts	13 months	5%	5%	No Limit
Money Market Funds	N/A	20%	10%	AAAm
Investment Trust of California (CalTrust)	N/A	2.5%	2.5%	AAAm
Pass-Through Securities	5 years	20%	5%	AA
Supranationals	5 years	30%	10%	AA

(1) Government Code Section 53635(a) (1-2) specifies percentage limitations for this security type for county investment pools.

(2) Maximum exposure per issue – The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RPs with maturities greater than 5 days and 15% of the portfolio for RPs maturing in 5 days or less. The maximum exposure to a single broker/dealer of RPs shall be 10% of the portfolio value for maturities greater than 5 days and 15% of the portfolio value for maturities of 5 days or less.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

General

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in St. Paul, Minnesota, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.