

**NEW ISSUE -- FULL BOOK-ENTRY**

**RATING: Moody's: "Aa2"**  
**See "RATING" herein.**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, based upon existing laws, regulations, rulings, court decisions, and assuming (among other things) compliance with certain covenants, interest on the Refunding Bonds is exempt from State of California personal income taxes. Interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" herein.*

**\$47,395,000**  
**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**(Solano County, California)**  
**2020 General Obligation Refunding Bonds**  
**(Federally Taxable)**

**Dated: Date of Delivery**

**Due: August 1, as shown on inside cover**

**Issuance.** The above-captioned bonds (the "Refunding Bonds") are being issued by the Vacaville Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on March 19, 2020 (the "Bond Resolution"). The Refunding Bonds are being issued to refund certain maturities of the District's outstanding 2014 General Obligation Refunding Bonds, 2014 General Obligation Refunding Bonds, Series B, and 2014 General Obligation Refunding Bonds, Series C, and to pay costs of issuance. See "THE REFUNDING BONDS – Authority for Issuance" and "THE REFINANCING PLAN."

**Security.** The Refunding Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected within the District. The Board of Supervisors of Solano County (the "County") has the power and is obligated to annually levy *ad valorem* property taxes upon all property 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 of and interest on the Refunding Bonds. The District has other series of general obligation bonds outstanding that are similarly secured by *ad valorem* property tax levies. See "SECURITY FOR THE REFUNDING BONDS."

**Redemption.** The Refunding Bonds are subject to redemption prior to maturity under certain circumstances, as described herein. See "THE REFUNDING BONDS – Redemption."

**Book-Entry Only.** The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. See "THE REFUNDING BONDS - Book-Entry Only System."

**Payments.** The Refunding Bonds are dated the date of delivery and are being issued as current interest bonds. The Refunding Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing February 1, 2021. Payments of principal of and interest on the Refunding Bonds will be paid by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS - Description of the Refunding Bonds." See "THE REFUNDING BONDS."

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**MATURITY SCHEDULE**  
(see inside front cover)

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This cover page contains information for general reference only. It is not a summary of all the provisions of the Refunding Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

*The Refunding Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, is serving as counsel to the Underwriter. It is anticipated that the Refunding Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about August 4, 2020.*

**RAYMOND JAMES®**

## MATURITY SCHEDULE

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
(Solano County, California)  
**2020 General Obligation Refunding Bonds**  
(Federally Taxable)

**Base CUSIP<sup>†</sup>: 918608**

<b>Maturity Date (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> No.</b>
2021	\$1,215,000	0.403%	0.403%	100.000%	UG3
2022	815,000	0.553	0.553	100.000	UH1
2023	820,000	0.695	0.695	100.000	UJ7
2024	825,000	0.927	0.927	100.000	UK4
2025	830,000	1.127	1.127	100.000	UL2
2026	840,000	1.337	1.337	100.000	UM0
2027	6,175,000	1.457	1.457	100.000	UN8
2028	6,415,000	1.559	1.559	100.000	UP3
2029	6,685,000	1.639	1.639	100.000	UQ1
2030	6,950,000	1.739	1.739	100.000	UR9
2031	7,755,000	1.839	1.839	100.000	US7
2032	8,070,000	1.959	1.959	100.000	UT5

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Refunding Bond owner and the District or the Underwriter.

**No Offering Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Refunding Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Estimates and Projections.** When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

**Information in Official Statement.** The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. tax

**Document Summaries.** All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

**Involvement of Underwriter.** The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to 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

**No Securities Laws Registration.** The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Refunding Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

**Stabilization of Market Price.** In connection with the offering of the Refunding Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Refunding Bonds at levels above those that might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

**Website.** The District maintains a website. However, the information presented on the website is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

**VACAVILLE UNIFIED SCHOOL DISTRICT  
COUNTY OF SOLANO  
STATE OF CALIFORNIA**

**BOARD OF EDUCATION**

John Jansen, *President*  
Tracee Stacy, *Vice President*  
Michelle Dally, *Clerk*  
Michael Kitzes, *Member*  
Sherie Mahlberg, *Member*  
Michael Silva, *Member*  
Shawn Windham, *Member*

**DISTRICT ADMINISTRATION**

Jane Shamieh, *Superintendent*  
Kelly Burks, *Assistant Superintendent of Business and Administrative Services*

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**PROFESSIONAL SERVICES**

**BOND AND DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**FINANCIAL ADVISOR**

Isom Advisors, a Division of Urban Futures, Inc.  
*Walnut Creek, California*

**PAYING AGENT, TRANSFER AGENT, ESCROW BANK  
AND BOND REGISTRAR**

U.S. Bank National Association  
*San Francisco, California*

**ESCROW VERIFICATION**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

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## OFFICIAL STATEMENT

**\$47,395,000**

### **VACAVILLE UNIFIED SCHOOL DISTRICT**

**(Solano County, California)**

### **2020 General Obligation Refunding Bonds**

**(Federally Taxable)**

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery by the Vacaville Unified School District (the “**District**”) of the above-captioned general obligation refunding bonds (the “**Refunding Bonds**”).

## 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 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 Refunding Bonds to potential investors is made only by means of the entire Official Statement.*

**The District.** The District is a unified school district serving the City of Vacaville (the “**City**”) and certain adjacent unincorporated portions of Solano County (the “**County**”), in the State of California (the “**State**”). The District is located approximately 50 miles northeast of San Francisco and 30 miles west of Sacramento. The District operates nine elementary schools (grades K through 6), one of which is a dependent charter school, two middle schools (grades 7 through 8), one independent charter school (grades K through 8), one elementary/middle school (grades K through 8), four high schools (grades 9 through 12), one of which is a dependent charter and another which is a continuation school that also houses their adult education program, and a dependent charter learning academy (grades K through 12). Total enrollment for the fiscal year 2019-20, which does not include charter school enrollment, was approximately 11,582 students and is budgeted for 11,427 students in fiscal year 2020-21.

For more information regarding the District and its finances generally, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other information regarding the City and County.

**COVID-19 Statement.** The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable, with financial and economic impacts that cannot be predicted. As such, investors are cautioned that the District cannot at this time predict the impacts that the COVID-19 pandemic may have on its operations and finances, property values in the District, and economic activity in the District, the State and the nation, among others. District schools are currently closed for the remainder of the 2019-20 academic year, and the District has transitioned to distance learning. For more disclosure regarding the COVID-19 emergency, see “SECURITY FOR THE BONDS – COVID-19 Global Pandemic.” See also references to COVID-19 in the sections herein entitled “PROPERTY TAXATION”, and in APPENDIX A under the heading “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS.”

**Purpose.** The Refunding Bonds are being issued by the District to refund certain maturities of the District's outstanding 2014 General Obligation Refunding Bonds (the "**2014A Refunding Bonds**"), 2014 General Obligation Refunding Bonds, Series B (the "**2014B Refunding Bonds**"), 2014 General Obligation Refunding Bonds, Series C (the "**2014C Refunding Bonds**" and, together with the 2014A Refunding Bonds and the 2014B Refunding Bonds, the "**Prior Bonds**"), and to pay related costs of issuance. See "THE REFINANCING PLAN."

**Authority for Issuance of the Refunding Bonds.** The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**") and under a resolution adopted by the Board of Education of the District on March 19, 2020 (the "**Bond Resolution**"). See "THE REFUNDING BONDS - Authority for Issuance."

**Security and Sources of Payment for the Refunding Bonds.** The Refunding Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected within the District. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Refunding Bonds upon all property subject to taxation in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE REFUNDING BONDS."

The District has other series of general obligation bonds outstanding that are similarly payable from *ad valorem* taxes. For the remaining debt service of the District's outstanding general obligation bonds, see "DEBT SERVICE SCHEDULES – Combined General Obligation Debt Service." See also "GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT-DISTRICT FINANCIAL INFORMATION - Long-Term Indebtedness" in APPENDIX A to the Official Statement.

**Payment and Registration of the Refunding Bonds.** The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co. as nominee of DTC, and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC's book-entry only system ("**DTC Participants**") as described below. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See "THE REFUNDING BONDS" and APPENDIX F.

The Refunding Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing February 1, 2021. See "THE REFUNDING BONDS - Description of the Refunding Bonds."

**Redemption.** The Refunding Bonds are subject to redemption prior to their maturity as described in "THE REFUNDING BONDS – Redemption."

**Tax Matters.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Bond Counsel**"), based upon existing laws, regulations, rulings and court decisions, and assuming (among other things) compliance with certain covenants, interest on the



Refunding Bonds is exempt from State of California personal income taxes. Interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel express no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" for additional information, and APPENDIX D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Refunding Bonds.

***Continuing Disclosure.*** The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Refunding Bonds and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in APPENDIX E hereto. See "CONTINUING DISCLOSURE."

***Other Information.*** This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement is not to be construed as a contract with the purchasers of the Refunding Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

*END OF INTRODUCTION*

## THE REFINANCING PLAN

As described herein, the proceeds of the Refunding Bonds will be used to refund, on an advance basis, the Refunded Bonds (as defined below), and to pay related costs of issuance.

On May 20, 2014, the District issued the 2014A Refunding Bonds in the aggregate principal amount of \$22,950,000. The 2014A Refunding Bonds were issued as current interest bonds and are currently outstanding the aggregate principal amount of \$17,900,000. The 2014A Refunding Bonds are subject to optional redemption on or after August 1, 2024, at a redemption price of 100% of the principal amount being redeemed, plus any accrued interest, without premium.

On January 6, 2015, the District issued its 2014B Refunding Bonds in the aggregate principal amount of \$33,910,000. The 2014B Refunding Bonds were issued as current interest bonds and are currently outstanding in the aggregate principal amount of \$33,230,000. The 2014B Refunding Bonds are subject to optional redemption on or after August 1, 2024, at a redemption price of 100% of the principal amount being redeemed, plus any accrued interest, without premium.

On May 5, 2015, the District issued the 2014C Refunding Bonds in the aggregate principal amount of \$20,370,000. The 2014C Refunding Bonds were issued as current interest bonds and are currently outstanding in the aggregate principal amount of \$15,740,000. The 2014C Refunding Bonds are subject to optional redemption on or after August 1, 2024, at a redemption price of 100% of the principal amount being redeemed, plus any accrued interest, without premium.

Proceeds of the Refunding Bonds will be used to refinance certain maturities of the outstanding Prior Bonds (such maturities, the “**Refunded Bonds**”), as more particularly identified in the following tables.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**Identification of Refunded 2014A Refunding Bonds**

<b>Maturity Date (August 1)</b>	<b>CUSIP<sup>†</sup></b>	<b>Principal Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2027	918608 NU0	\$1,640,000	08/01/2024	100%
2028	918608 NV8	1,805,000	08/01/2024	100%
2029	918608 NW6	1,985,000	08/01/2024	100%
2030	918608 NX4	2,180,000	08/01/2024	100%
Total	--	\$7,610,000	--	--

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**Identification of Refunded 2014B Refunding Bonds**

<b>Maturity Date (August 1)</b>	<b>CUSIP<sup>†</sup></b>	<b>Principal Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2027	918608 QE3	\$2,245,000	08/01/2024	100%
2028	918608 QF0	2,345,000	08/01/2024	100%
2029	918608 QG8	2,455,000	08/01/2024	100%
2030	918608 QH6	2,555,000	08/01/2024	100%
2031	918608 QJ2	7,545,000	08/01/2024	100%
2032	918608 QK9	8,095,000	08/01/2024	100%
Total	--	\$25,240,000	--	--

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**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**Identification of Refunded 2014C Refunding Bonds**

<b>Maturity Date (August 1)</b>	<b>CUSIP<sup>†</sup></b>	<b>Principal Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2030 T	918608 QW3	\$6,710,000	08/01/2024	100%
Total	--	\$6,710,000	--	--

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T Term Bond.

## Deposits in Escrow Fund

The District will deliver the net proceeds of the Refunding Bonds to U.S. Bank National Association, as escrow bank (the “**Escrow Bank**”), for deposit in an escrow fund (the “**Escrow Fund**”) established under an Escrow Agreement (the “**Escrow Agreement**”), between the District and the Escrow Bank. The Escrow Bank will invest such funds in certain federal securities (“**Escrow Fund Securities**”), and will apply such funds, together with interest earnings (if any) on the investment of such funds in Escrow Fund Securities, to pay the principal of and interest on the Refunded Bonds, including the redemption price of the Refunded Bonds, as set forth above, together with accrued interest to the redemption date identified above.

Sufficiency of the deposits in the Escrow Fund for the foregoing purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”). See “VERIFICATION OF MATHEMATICAL ACCURACY” herein. As a result of the deposit of funds with the Escrow Bank on the date of issuance of the Refunding Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by *ad valorem* property taxes levied in the District.

*The Escrow Fund Securities, if any, and cash held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds, and will not be available for the payment of debt service with respect to the Refunding Bonds.*

## THE REFUNDING BONDS

### Authority for Issuance

The Refunding Bonds will be issued under the authority of and pursuant to the Bond Law and the Bond Resolution.

### Description of the Refunding Bonds

The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Refunding Bonds. See “- Book-Entry Only System” below and APPENDIX F.

The Refunding Bonds shall be issued in the denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Refunding Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2021 (each, an “**Interest Payment Date**”). Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15<sup>th</sup> day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2021, in which event it will bear interest from the date of delivery of the Refunding Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Refunding Bond is in default at the time of

authentication thereof, such Refunding Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Refunding Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Refunding Bonds.

### **Paying Agent**

U.S. Bank National Association, will act as the registrar, transfer agent, and paying agent for the Refunding Bonds (the **"Paying Agent"**). As long as DTC is the registered owner of the Refunding Bonds and DTC's book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Refunding Bonds called for redemption or of any other action covered by such notice.

The Paying Agent, the District, the County and the Underwriter of the Refunding Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Refunding Bonds.

### **Redemption**

The Refunding Bonds maturing on or before August 1, 2030 are not subject to redemption prior to maturity. The Refunding Bonds maturing on or after August 1, 2031 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2030, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, Refunding Bonds will be deemed to consist of \$5,000 portions (principal amount), and any such portion may be separately redeemed.

### **Partial Redemption of Refunding Bonds**

Upon the surrender of any Refunding Bond redeemed in part only, the Paying Agent shall execute and deliver to the owner thereof a new Refunding Bond or Refunding Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Refunding Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

### **Selection of Refunding Bonds for Redemption**

Whenever less than all of the outstanding maturities of the Refunding Bonds is designated for redemption, the Paying Agent shall select the maturities to be redeemed as directed by the District. Whenever less than all of the outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For

purposes of such selection, each Refunding Bond will be deemed to consist of individual bonds of \$5,000 denominations each which may be separately redeemed.

### **Notice of Redemption**

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Refunding Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Refunding Bonds (the "**Registration Books**"). Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Refunding Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Refunding Bond Owners.

Such notice may be conditional and shall state the redemption date and the redemption price and, if less than all of the then outstanding Refunding Bonds are to be called for redemption, shall designate the serial numbers of the Refunding Bonds to be redeemed by giving the individual number of each Refunding Bond or by stating that all Refunding Bonds between two stated numbers, both inclusive, or by stating that all of the Refunding Bonds of one or more maturities have been called for redemption, and shall require that such Refunding Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the redemption date.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Refunding Bonds so called for redemption have been duly provided, the Refunding Bonds called for redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice.

### **Right to Rescind Notice of Redemption**

The District has the right to rescind any notice of the optional redemption of Refunding Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Refunding Bonds then called for redemption. The District and the Paying Agent have no liability to the Refunding Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

### **Defeasance**

The Refunding Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Refunding Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Refunding Bonds; or
- (c) by delivering such Refunding Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Refunding Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Refunding Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Refunding Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Refunding Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Refunding Bond (whether upon or prior to its maturity or the redemption date of such Refunding Bond), then all liability of the County and the District in respect of such Refunding Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Refunding Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

As used in the foregoing defeasance provision, the term “**Federal Securities**” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations

the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

### **Book-Entry Only System**

The Refunding Bonds will be registered initially in the name of "Cede & Co.," as nominee of DTC, which has been appointed as securities depository for the Refunding Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Refunding Bonds. Principal of the Refunding Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Refunding Bonds as described herein. See APPENDIX F for additional information about DTC's book-entry only system.

### **Registration, Transfer and Exchange of Bonds**

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Refunding Bonds.

If the book entry system is discontinued, the person in whose name a Refunding Bond is registered on the Registration Books shall be regarded as the absolute owner of that Refunding Bond. Payment of the principal of and interest on any Refunding Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Refunding Bonds may be exchanged at the principal corporate trust office of the Paying Agent for a like aggregate principal amount of Refunding Bonds of authorized denominations and of the same maturity. Any Refunding Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Refunding Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Refunding Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Refunding Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Refunding Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Refunding Bond after such Refunding Bond has been selected or called for redemption in whole or in part.



## DEBT SERVICE SCHEDULES

***The Refunding Bonds.*** The following table shows the annual debt service schedule with respect to the Refunding Bonds (assuming no optional redemptions).

### VACAVILLE UNIFIED SCHOOL DISTRICT Annual Debt Service Schedule 2020 General Obligation Refunding Bonds

Date (August 1)	Principal	Interest	Total
2021	\$1,215,000.00	\$758,077.66	\$1,973,077.66
2022	815,000.00	759,551.62	1,574,551.62
2023	820,000.00	755,044.66	1,575,044.66
2024	825,000.00	749,345.66	1,574,345.66
2025	830,000.00	741,697.92	1,571,697.92
2026	840,000.00	732,343.82	1,572,343.82
2027	6,175,000.00	721,113.02	6,896,113.02
2028	6,415,000.00	631,143.26	7,046,143.26
2029	6,685,000.00	531,133.42	7,216,133.42
2030	6,950,000.00	421,566.26	7,371,566.26
2031	7,755,000.00	300,705.76	8,055,705.76
2032	8,070,000.00	158,091.30	8,228,091.30
Total	\$47,395,000.00	\$7,259,814.36	\$54,654,814.36

**Combined General Obligation Debt Service.** The following table shows the combined annual debt service schedule with respect to outstanding general obligation and general obligation refunding bonds of the District, assuming no optional redemptions. See also APPENDIX A under the heading “DISTRICT FINANCIAL INFORMATION – Long-Term Indebtedness.”

**VACAVILLE UNIFIED SCHOOL DISTRICT  
Combined Annual Debt Service Schedule  
All Outstanding General Obligation Bonds**

<b>Period Ending (Aug. 1)</b>	<b>2014A Refunding Bonds</b>	<b>2014B Refunding Bonds</b>	<b>2014C Refunding Bonds</b>	<b>2014 Series A Bonds</b>	<b>Election of 2014, Series B Bonds</b>	<b>Election of 2014, Series C Bonds</b>	<b>Election of 2014, Series D Bonds</b>	<b>The Refunding Bonds</b>	<b>Aggregate Annual Debt Service</b>
2020	\$2,449,000.00	\$1,661,500.00	\$2,177,000.00	\$1,990,350.00	\$2,631,987.50	\$4,702,900.00	\$717,888.89	--	\$16,330,626.39
2021	2,150,250.00	399,500.00	1,912,000.00	940,350.00	3,280,187.50	3,645,900.00	2,840,000.00	\$1,973,077.66	17,141,265.16
2022	2,229,000.00	399,500.00	1,980,500.00	940,350.00	3,420,387.50	1,716,700.00	4,935,000.00	1,574,551.62	17,195,989.12
2023	1,319,500.00	2,249,500.00	1,151,750.00	940,350.00	1,116,787.50	3,111,700.00	2,756,200.00	1,575,044.66	14,220,832.16
2024	1,395,750.00	2,257,000.00	1,220,250.00	940,350.00	1,116,787.50	3,255,900.00	2,756,200.00	1,574,345.66	14,516,583.16
2025	1,470,500.00	2,254,500.00	1,288,000.00	940,350.00	1,116,787.50	1,962,100.00	4,271,200.00	1,571,697.92	14,875,135.42
2026	1,553,500.00	2,252,250.00	1,359,750.00	940,350.00	1,116,787.50	2,017,500.00	4,505,600.00	1,572,343.82	15,318,081.32
2027	--	--	--	940,350.00	1,756,787.50	2,120,100.00	4,063,200.00	6,896,113.02	15,776,550.52
2028	--	--	--	940,350.00	1,734,787.50	2,192,900.00	4,320,600.00	7,046,143.26	16,234,780.76
2029	--	--	--	940,350.00	1,832,287.50	2,266,900.00	4,475,400.00	7,216,133.42	16,731,070.92
2030	--	--	--	2,040,350.00	2,238,887.50	2,346,900.00	3,221,200.00	7,371,566.26	17,218,903.76
2031	--	--	--	2,104,600.00	2,327,587.50	2,432,500.00	3,324,000.00	8,055,705.76	18,244,393.26
2032	--	--	--	2,175,600.00	2,412,537.50	2,518,300.00	3,441,400.00	8,228,091.30	18,775,928.80
2033	--	--	--	2,605,975.00	2,516,912.50	2,604,100.00	3,187,600.00	--	10,914,587.50
2034	--	--	--	2,684,300.00	2,606,600.00	2,694,700.00	3,312,200.00	--	11,297,800.00
2035	--	--	--	2,770,425.00	1,961,600.00	2,789,700.00	4,170,400.00	--	11,692,125.00
2036	--	--	--	2,903,675.00	2,064,600.00	2,888,700.00	4,247,600.00	--	12,104,575.00
2037	--	--	--	2,989,425.00	2,166,600.00	2,991,300.00	4,378,600.00	--	12,525,925.00
2038	--	--	--	3,078,612.50	2,277,400.00	3,092,100.00	4,516,000.00	--	12,964,112.50
2039	--	--	--	3,170,862.50	2,386,400.00	3,200,900.00	4,659,200.00	--	13,417,362.50
2040	--	--	--	3,270,800.00	2,503,400.00	3,314,900.00	4,802,600.00	--	13,891,700.00
2041	--	--	--	--	5,297,800.00	3,432,650.00	5,645,800.00	--	14,376,250.00
2042	--	--	--	--	5,517,200.00	3,553,400.00	5,810,400.00	--	14,881,000.00
2043	--	--	--	--	--	6,106,400.00	9,292,000.00	--	15,398,400.00
2044	--	--	--	--	--	6,260,800.00	9,677,400.00	--	15,938,200.00
2045	--	--	--	--	--	--	16,499,600.00	--	16,499,600.00
<b>TOTAL</b>	<b>\$12,567,000.00</b>	<b>\$11,473,750.00</b>	<b>\$11,089,250.00</b>	<b>\$40,248,125.00</b>	<b>\$55,401,100.00</b>	<b>\$77,219,950.00</b>	<b>\$125,827,288.89</b>	<b>\$54,654,814.36</b>	<b>\$388,481,778.25</b>

## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Refunding Bonds are as follows:

### **Sources of Funds**

Principal Amount of Refunding Bonds	<u>\$47,395,000.00</u>
<b>Total Sources</b>	<b>\$47,395,000.00</b>

### **Uses of Funds**

Escrow Fund	\$47,111,647.58
Costs of Issuance <sup>(1)</sup>	<u>283,352.42</u>
<b>Total Uses</b>	<b>\$47,395,000.00</b>

*(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, legal fees, the municipal advisor, the Paying Agent, Escrow Bank, and the rating agency.*

## SECURITY FOR THE REFUNDING BONDS

### **Ad Valorem Taxes**

**Refunding Bonds Payable from Ad Valorem Property Taxes.** The Refunding Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected within the District by the County. The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Refunding Bonds out of any funds or properties of the District other than *ad valorem* property taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

**Other Non-District Debt Payable from Ad Valorem Property Taxes.** In addition to the Bonds and the District's other outstanding general obligation bonds, there is other debt issued by entities within the jurisdiction of the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "– Direct and Overlapping Debt" below.

**Levy and Collection.** The County will levy and collect such *ad valorem* property taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Refunding Bonds, which is maintained by the County, and which is irrevocably pledged for the payment of principal of and interest on the Refunding Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See "PROPERTY TAXATION -Teeter Plan" below.

**Statutory Lien on Ad Valorem Tax Revenues.** In accordance with Section 53515 of the California Government Code, the Refunding Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* tax imposed to service the Refunding Bonds. This lien automatically arises without the need for any action or authorization by the District or the Board. The revenues received pursuant to the levy and collection of the *ad valorem* tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

**Annual Tax Rates.** The amount of the annual *ad valorem* property tax levied by the County to repay the Refunding Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Refunding Bonds. Fluctuations in the annual debt service on the Refunding Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value." See also "— COVID-19 Global Pandemic."

**Natural Disasters.** Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value." See also "— COVID-19 Global Pandemic."

### **Debt Service Fund**

The County will establish a Debt Service Fund (the "**Debt Service Fund**") for the Refunding Bonds, which will be established as a separate fund to be maintained distinct from all other funds of Solano County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Refunding Bonds will be transferred to and deposited in the Debt Service Fund promptly upon receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Refunding Bonds when and as the same become due. The District will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Refunding Bonds as the same become due and payable.

If, after payment in full of the Refunding Bonds, any amounts remain on deposit in the Debt Service Fund, the District shall transfer such amounts to other debt service funds of the District with respect to outstanding general obligation bonds of the District, if any, and if none, then to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

### **Not a County Obligation**

The Refunding Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Refunding Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.

### **COVID-19 Global Pandemic**

**Background.** The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus ("**COVID-19**"), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). There has been tremendous volatility in the markets in the United States and globally, resulting in significant declines and the onset of a national and global recession.

The President's declaration of a national emergency on March 13, 2020 made available more than \$50 billion in federal resources to combat the spread of the virus. A multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In addition, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

On March 27, 2020, the United States Congress passed a \$2 trillion relief package, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**"). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, \$367 billion for loans to small businesses, a \$500 billion fund to assist distressed large businesses, including approximately \$30 billion to provide emergency grants to educational institutions and local educational agencies. This funding allocation includes approximately \$13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 crisis.

At the State level, on March 16, 2020, the State legislature approved \$1.1 billion in emergency funds in response to the COVID-19 crisis. On March 19, 2020, the Governor issued a shelter-in-place order, Executive Order N-33-20, ordering all California residents to stay home except to get food, care for a relative, get necessary healthcare or go to an essential job. The stay at home order went into effect immediately and will stay in effect until further notice.

***Impacts on Global and Local Economies; Potential Declines in State Revenues.*** The COVID-19 public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. Under the 2019-20 State Budget (defined below) approximately 70% of the State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20. California's Legislative Analyst's Office published a report on March 18, 2020 which anticipates that the economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, including lower capital gains-related tax revenue due to the volatility in the financial markets, and the likelihood that a recession is forthcoming due to pullback in activity across wide swaths of the economy.

***Suspension of Classroom Instruction; Unanticipated Costs.*** The Governor's shelter in place order has suspended classroom instruction indefinitely throughout California schools, with school districts undertaking distance learning efforts to provide continuing instruction to students. On March 13, 2020, the Governor signed Executive Order N-26-20 ordering that school districts closing in order to address COVID-19 will, subject to certain conditions, continue to receive state funding to support distance learning or independent study, to continue to provide subsidized school meals to low-income students, to continue to pay school district employees, and, to the extent practicable, to provide for supervision of students during school hours. Additionally, State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, federal funding to school districts may be available under the CARES Act as a result of the COVID-19 emergency. On April 1, 2020, the District, in conjunction with the County Office of Education, announced that its schools would remain closed for the remainder of the school year.

See APPENDIX A under the heading “DISTRICT FINANCIAL INFORMATION – Education Funding Generally.

On March 17, 2020, Senate Bill 89 (“**SB 89**”) and Senate Bill 117 (“**SB 117**”) were signed by the Governor, both effective immediately. SB 89 appropriates \$500 million from the State general fund for any purpose related to the Governor’s emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N–26–20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year will only include all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty by deeming the instructional requirements to have been met during the period of time the school was closed due to COVID–19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID–19, and (iv) appropriates \$100 million from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

The District cannot predict all of the possible impacts that the COVID-19 emergency might have on its finances or programs or the credit ratings on its debt obligations. Examples of possible effects are on the unanticipated costs of mitigation measures and of implementing distance learning, deteriorating economies reducing local and State revenues, declining assessed values, increases in tax delinquencies, possible lower credit ratings, material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District’s required contribution rates in future fiscal years, among others. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain.

**General Obligation Bonds Secured by Ad Valorem Tax Revenues.** Notwithstanding the impacts the COVID-19 may have on the economy in the State and the District or on the District’s revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District. The District cannot predict the impacts that the COVID-19 emergency might have on local property values or tax collections and delinquencies. See “SECURITY FOR THE BONDS – *Ad Valorem* Taxes,” “PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value” and “PROPERTY TAXATION – Tax Levies and Delinquencies.

## PROPERTY TAXATION

### Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing (1) state assessed public utilities’ property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. 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 with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the applicable county.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, Senate Bill 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. 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 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 record 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 or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes. In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 (“**Order N-61-20**”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the



failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19.

## **Taxation of State-Assessed Utility Property**

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“SBE”) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property,” a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the County based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

## **Assessed Valuations**

**Assessed Valuation History.** The table below shows a recent history of the District’s assessed valuation.

### **VACAVILLE UNIFIED SCHOOL DISTRICT Assessed Valuations of All Taxable Property Fiscal Years 2005-06 to 2019-20**

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>	<b>% Change</b>
2005-06	\$7,354,963,065	\$4,543,626	\$285,280,771	\$7,644,787,462	--
2006-07	8,348,487,423	4,476,880	296,538,884	8,649,503,187	13.1%
2007-08	9,668,885,373	3,874,451	315,064,394	9,987,824,218	15.5
2008-09	9,898,217,833	2,614,229	320,194,605	10,221,026,667	2.3
2009-10	9,312,931,627	2,614,229	366,427,510	9,681,973,366	(5.3)
2010-11	8,930,624,482	2,614,229	360,138,642	9,293,377,353	(4.0)
2011-12	8,661,700,781	2,614,229	382,291,866	9,046,606,876	(2.7)
2012-13	8,889,102,942	496,881	362,387,425	9,251,987,248	2.3
2013-14	8,830,528,421	496,881	345,479,209	9,176,504,511	(0.8)
2014-15	9,542,552,479	496,881	359,368,974	9,902,418,334	7.9
2015-16	9,911,287,709	496,881	362,797,392	10,274,581,982	3.8
2016-17	10,562,109,889	341,713	382,938,516	10,945,390,118	6.5
2017-18	11,086,535,154	341,713	389,609,155	11,476,486,022	4.9
2018-19	11,686,748,034	341,713	390,649,825	12,077,739,572	5.2
2019-20	12,362,160,293	341,713	392,145,950	12,754,647,956	5.6

Source: California Municipal Statistics, Inc.

***Factors Relating to Increases/Decreases in Assessed Value.*** As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts.

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

The District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides, pandemics or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State. See also "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

Split Roll Measures. Proposed State initiative measures designated as the California Schools and Local Communities Funding Act of 2018 and the California Schools and Local Community Funding Act of 2020 (the "**Split Roll Measures**"), have each qualified by initiative for the November 3, 2020 ballot which, if either is approved by State voters by majority vote, would amend the State Constitution to change to a split roll approach to determine property values for purposes of property taxation. If either initiative is approved, the State Constitution will be amended to provide for the reassessment to fair market value of certain commercial and industrial real properties every three years, overriding the current two percent limitation on annual assessment increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies. The two initiative measures differ in the threshold at which commercial and industrial properties would be taxed at market value, which small business-owned properties would continue to be taxed based on purchase price, and how revenue would be allocated for schools.

The District cannot predict whether either Split Roll Measure will appear on the Statewide ballot at the November 2020 election or, if either does, whether such Split Roll 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 either Split Roll Measure will have on District revenues or the assessed valuation of real property in the District.

Property Tax Base Transfer Measure. A State constitutional amendment designated as the California Property Tax Transfer Initiative has qualified by initiative for the November 3, 2020 ballot. If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the measure would: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot predict if such initiative will be successful or the impact it might have on assessed values in the District.

**Assessed Valuation by Land Use.** The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2019-20.

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

<b>Non-Residential:</b>	<b>2019-20 Assessed Valuation <sup>(1)</sup></b>	<b>% of Total</b>	<b>No. of Parcels</b>	<b>% of Total</b>
Agricultural	\$ 127,949,169	1.04%	168	0.62%
Commercial	1,635,213,345	13.23	651	2.41
Vacant Commercial	94,110,347	0.76	149	0.55
Industrial	1,322,006,863	10.69	141	0.52
Vacant Industrial	84,535,945	0.68	88	0.33
Government/Social/Institutional	10,229,861	0.08	19	0.07
Subtotal Non-Residential	\$3,274,045,530	26.48%	1,216	4.50%
<b>Residential:</b>				
Single Family Residence	\$7,782,648,836	62.96%	22,553	83.54%
Condominium/Townhouse	150,997,251	1.22	942	3.49
Mobile Home	17,676,451	0.14	517	1.92
Mobile Home Park	54,926,197	0.44	17	0.06
2+ Residential Units	935,047,902	7.56	686	2.54
Vacant Residential	146,818,126	1.19	1,065	3.95
Subtotal Residential	\$9,088,114,763	73.52%	25,780	95.50%
<b>Total</b>	<b>\$12,362,160,293</b>	<b>100.00%</b>	<b>26,996</b>	<b>100.00</b>

(1) Local secured assessed valuation; excluding tax-exempt property.  
Source: California Municipal Statistics, Inc.

### Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" in APPENDIX A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values,

adjusted for inflation, 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.

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.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

## Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 6-001) within the District for fiscal years 2015-16 through 2019-20.

### VACAVILLE UNIFIED SCHOOL DISTRICT Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 6-001) <sup>(1)</sup> Fiscal Years 2015-16 through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Vacaville Unified School District	.114110	.112611	.100967	.103185	.099886
Solano County Community College District	.034918	.035043	.024425	.038889	.032035
Solano County State Water Project	.020000	.020000	.020000	.020000	.020000
City of Vacaville	.030800	.030740	.030670	.030640	.030490
Vacaville USD Library District (Excess Tax)	.000000	(.001210)	.000000	.000000	.000000
Total	\$1.199828	\$1.197184	\$1.176062	\$1.192714	\$1.182411

(1) 2019-20 assessed valuation of TRA 6-001 is \$2,530,034,993 which is 19.84% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

## Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted 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, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes the District's general obligation bond levies in its Teeter Plan.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of *ad valorem*

property taxes on the secured roll will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, a Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. 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 in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID- 19 or other outbreak of disease or natural or manmade disaster. See "SECURITY FOR THE BONDS - COVID-19 Global Pandemic" herein. However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Refunding Bonds when due.

Notwithstanding the County's participation in the Teeter Plan, the following table shows historical secured tax charges and delinquencies in the District.

**SECURED TAX CHARGES AND DELINQUENCIES**  
**Fiscal Years 2006-07 through 2018-19**  
**Vacaville Unified School District**

<b><u>Fiscal Year</u></b>	<b><u>Secured Tax Charge <sup>(1)</sup></u></b>	<b><u>Amt. Del. June 30</u></b>	<b><u>% Del. June 30</u></b>
2006-07	\$4,060,180	\$106,970	2.63%
2007-08	5,166,990	202,454	3.92
2008-09	4,680,399	149,290	3.19
2009-10	5,369,988	118,081	2.20
2010-11	5,486,867	87,412	1.59
2011-12	5,888,037	77,972	1.32
2012-13	5,411,479	59,930	1.11
2013-14	6,113,010	52,211	0.85
2014-15	5,582,278	41,405	0.74
2015-16	11,203,308	67,653	0.60
2016-17	11,749,289	65,612	0.56
2017-18	11,084,478	62,422	0.56
2018-19	11,917,777	88,555	0.74

(1) Debt service levy only.

Source: California Municipal Statistics, Inc.

## Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2019-20. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

### VACAVILLE UNIFIED SCHOOL DISTRICT Largest 2019-20 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1.	Genentech Inc.	Industrial	\$ 741,477,981	6.00%
2.	NT Dunhill I LLC	Commercial	114,653,930	0.93
3.	CPG Finance II LLC	Commercial	110,231,574	0.89
4.	PW Fund A LP	Industrial	105,258,238	0.85
5.	Alza Corporation	Industrial	97,061,474	0.79
6.	MG North Pointe Apartments LLC	Apartments	87,229,922	0.71
7.	State Compensation Insurance Fund	Commercial	59,870,672	0.48
8.	Sequoia Equities-River Oaks	Apartments	58,962,391	0.48
9.	North Village Development Inc.	Apartments	55,282,849	0.45
10.	Quinn Crossing LLC	Apartments	48,979,104	0.40
11.	NB MSB LLC	Medical Facilities	48,077,404	0.39
12.	300 Bel Air Drive A KF LP	Apartments	43,346,726	0.35
13.	Travis Credit Union	Commercial	40,580,562	0.33
14.	R/M Vacaville Ltd.	Commercial	39,890,981	0.32
15.	Knickerbocker Prop Inc. XXXVIII	Apartments	39,570,687	0.32
16.	PW Fund B LP	Industrial	39,426,125	0.32
17.	Eden VCH LLC	Apartments	31,845,431	0.26
18.	700 Crocker Owner LLC	Industrial	31,620,000	0.26
19.	Brentwood RE Investors LLC	Apartments	30,656,271	0.25
20.	The Parc Apartments LLC	Apartments	29,580,000	0.24
			<u>\$1,853,602,322</u>	<u>14.99%</u>

(1) 2019-20 Local Secured Assessed Valuation: \$12,362,160,293.

Source: California Municipal Statistics, Inc.

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. for debt issued as of July 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

### **VACAVILLE UNIFIED SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt (Debt Issued as of July 1, 2020)**

**2019-20 Assessed Valuation:** \$12,754,647,956

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 7/1/20</u></b>
Solano County Community College District	22.715%	\$ 63,551,050
<b>Vacaville Unified School District</b>	<b>100.000</b>	<b>241,795,000<sup>(1)</sup></b>
City of Vacaville 1915 Act Bonds	100.000	6,395,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$311,741,050</b>
 <b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Solano County Certificates of Participation	21.976%	\$13,572,378
Solano County Pension Obligation Bonds	21.976	4,477,610
<b>Vacaville Unified School District Certificates of Participation</b>	<b>100.000</b>	<b>15,890,000</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$33,939,988</b>
 <b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u></b>		<b>\$33,500,970</b>
 <b>COMBINED TOTAL DEBT</b>		<b>\$379,182,008<sup>(2)</sup></b>

**Ratios to 2019-20 Assessed Valuation:**

<b>Direct Debt (\$241,795,000)</b> .....	<b>1.90%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	2.44%
<b>Combined Direct Debt (\$257,685,000)</b> .....	<b>2.02%</b>
Combined Total Debt .....	2.97%

**Ratios to Redevelopment Incremental Valuation (\$3,991,169,809):**

Total Overlapping Tax Increment Debt .....	0.84%
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(1) Excludes issue to be sold.

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

Source: California Municipal Statistics, Inc.

## **TAX MATTERS**

### **No Federal Tax Exemption**

The interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, San Francisco, California, interest on the Refunding Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the Refunding Bonds, which is to be delivered on the date of issuance of the Refunding Bonds, is set forth in APPENDIX D.

Owners of the Refunding Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Refunding Bonds other than as expressly described above.

A copy of the proposed form of opinion of Bond Counsel is attached as APPENDIX D to this Official Statement.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay upon prior redemption, interest and redemption premium requirements of the Refunded Bonds described under the heading "THE REFINANCING PLAN" and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the Refunded Bonds and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Refunding Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

## **CONTINUING DISCLOSURE**

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Refunding Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an "**Annual Report**") not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2021 with the report for the 2019-20 fiscal year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the



Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Underwriter of the Refunding Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “**Rule**”).

The District has existing undertakings pursuant to the Rule in connection with the delivery of prior general obligation bonds. See APPENDIX A under the heading “DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations.”

A review of obligations and filings made in the previous five years has been undertaken, and no instances of material non-compliance have been identified. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

## **CERTAIN LEGAL MATTERS**

No litigation is pending or threatened concerning the validity of the Refunding Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Refunding Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Refunding Bonds.

The District may be or may become a party to lawsuits and claims which are unrelated to the Refunding Bonds or actions taken with respect to the Refunding Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse effect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

## **RATING**

Moody's Investors Service (“**Moody's**”) has assigned a rating of “Aa2” to the Refunding Bonds. The District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement). Such a rating reflects only the view of Moody's, and explanations of the significance of such a rating may be obtained only from Moody's. There is no assurance that any credit rating given to the Refunding Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's if, in the rating agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds.

## **UNDERWRITING**

The Refunding Bonds are being sold to Raymond James & Associates, Inc. (the “**Underwriter**”), pursuant to a bond purchase agreement for the Refunding Bonds. The Underwriter has agreed to purchase the Refunding Bonds at a price of \$47,267,033.50, representing the principal amount of the Refunding Bonds, less Underwriter’s discount of \$127,966.50. The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

## **ADDITIONAL INFORMATION**

References in this Official Statement to the Bond Resolution, the Escrow Agreement and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Refunding Bonds will be on file at the offices of the Paying Agent.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available from upon written request to the District.

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 to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Refunding Bonds.

## EXECUTION

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

**VACAVILLE UNIFIED SCHOOL DISTRICT**

By: /s/ Jane Shamieh  
Superintendent

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## APPENDIX A

### GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

*The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the District. The Refunding Bonds are payable by the District solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "SECURITY FOR THE REFUNDING BONDS" herein.*

#### General Information

The Vacaville Unified School District (the "**District**") is a public school district located in Solano County (the "**County**") in the State of California (the "**State**"). The District provides educational services to residents of the City of Vacaville (the "**City**") and certain adjacent unincorporated portions of the County. The District is located approximately 50 miles northeast of San Francisco and 30 miles west of Sacramento. The District operates nine elementary schools (grades K through 6), one of which is a dependent charter school, two middle schools (grades 7 through 8), one independent charter school (grades K through 8), one elementary/middle school (grades K through 8), four high schools (grades 9 through 12), one of which is a dependent charter, and another which is a continuation school and also houses their adult education program, and lastly a dependent charter learning academy (grades K through 12). Total enrollment for the fiscal year 2019-20, which does not include charter school enrollment, was approximately 11,582 students and is budgeted for approximately 11,427 students in the 2020-21 fiscal year.

See also APPENDIX C hereto for demographic and other statistical information regarding the City and County.

#### Administration

**Board of Education.** The District is governed by a seven-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between three and four available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Sherie Mahlberg	President	December 2020
John Jansen	Vice President	December 2022
Tracey Stacy	Clerk	December 2020
Shelley Dally	Member	December 2022
Michael Kitzes	Member	December 2020
Michael Silva	Member	December 2022
Shawn Windham	Member	December 2020

**Administration.** The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Jane Shamieh serves as the Superintendent of the District and Kelly Burks serves as Assistant Superintendent of Business and Administrative Services.

## Recent Enrollment Trends

The following table shows recent enrollment history for the District with projections for fiscal year 2020-21.

### ANNUAL ENROLLMENT Fiscal Years 2010-11 through 2020-21 Vacaville Unified School District

School Year	Enrollment	% Change
2010-11	11,539	--
2011-12	11,354	(1.6)%
2012-13	11,414	0.5
2013-14	11,230	(1.6)
2014-15	11,200	(0.3)
2015-16	11,220	0.2
2016-17	11,051	(1.5)
2017-18	11,348	2.7
2018-19	11,433	0.7
2019-20	11,582	1.3
2020-21 <sup>(1)</sup>	11,427	(1.3)

(1) Budgeted.

Source: California Department of Education for 2010-11 through 2019-20; Vacaville Unified School District for 2020-21.

## Employee Relations

The District has 667.1 certificated full-time equivalent (“**FTE**”) employees, 432.9 classified FTE employees, and 85.0 management/supervisor/confidential FTE employees. Two unions represent District employees. The following table identifies the current status of the contracts with the bargaining units. The District has not experienced any recent work disputes with employees or any work-related disruptions.

### BARGAINING UNITS Vacaville Unified School District

Bargaining Unit	Type of Employees Covered	Current Contract Expiration Date
Vacaville Teachers Association (VTA)	Certificated	June 30, 2020
Service Employees International Union (SEIU)	Classified	June 30, 2020

Source: Vacaville Unified School District.

## DISTRICT FINANCIAL INFORMATION

### Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts that had local property tax revenues that exceeded their revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues, and were entitled to keep those tax revenues that exceeded their revenue limit funding entitlement. Basic Aid Districts are now known as "Community Supported Districts."

The fiscal year 2013-14 State budget replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, 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 grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and has been phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2019-20 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

**Fiscal Year 2019-20 Base Grant\* Under LCFF by Grade Span  
(Targeted Entitlement)**

<b>Grade Span</b>	<b>2019-20 Base Grant Per ADA</b>	<b>2018-19 COLA (3.70%)</b>	<b>Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)</b>	<b>2019-20 Base Grant/Adjusted Base Grant Per ADA</b>
K-3	\$7,459	\$243	\$801	\$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,034	295	243	9,572

\*Does not include supplemental and concentration grant funding entitlements.  
Source: California Department of Education.

The LCFF legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.



## District Accounting Practices

The accounting practices 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.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

## Financial Statements

**General.** 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. The District's June 30, 2019 Audited Financial Statements were prepared by James Marta & Company LLP, Sacramento, California and are attached hereto as APPENDIX B (the "Auditor"). Audited financial statements are on file with the District and available for public inspection at the Office of the Director of Fiscal Services, Vacaville Unified School District, 401 Nut Tree Road, Vacaville, California 95687; phone (707) 453-6177. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

**General Fund Revenues, Expenditures and Changes in Fund Balance.** The following table shows the audited income and expense statements for the District for fiscal years 2014-15 through 2018-19. The District cannot make any assurance that the District's 2019-20 general fund budgeted results will be commensurate with what is presented below. See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic" and "—Effect of COVID-19 on State Budgets" herein.

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Fiscal Years 2014-15 through 2018-19 (Audited)**  
**Vacaville Unified School District**

	<b>2014-15 Audited</b>	<b>2015-16 Audited</b>	<b>2016-17 Audited</b>	<b>2017-18 Audited</b>	<b>2018-19 Audited</b>
<b>Revenues</b>					
LCFF Sources	\$77,060,465	\$85,620,338	\$91,224,303	\$93,203,734	\$101,408,672
Federal Revenue	3,864,813	4,550,432	4,285,333	4,268,527	4,349,370
Other State Revenue	5,547,497	14,560,558	10,233,900	10,182,329	17,272,434
Other Local Revenue	5,567,582	2,758,225	8,484,491	8,482,454	8,779,504
<b>Total Revenue</b>	<b>92,040,357</b>	<b>110,489,553</b>	<b>114,768,227</b>	<b>116,137,044</b>	<b>131,809,980</b>
<b>Expenditures</b>					
Certificated Salaries	44,236,674	47,463,358	49,776,227	51,383,744	51,300,929
Classified Salaries	14,973,163	17,344,380	18,528,008	19,569,551	20,056,038
Employee Benefits	20,459,193	26,087,590	23,429,309	29,400,979	35,966,679
Books and Supplies	2,984,566	3,544,974	3,187,083	2,912,530	3,141,853
Service & Other Operating Expenditures	7,450,949	7,868,195	7,902,653	13,359,216	13,577,229
Capital Outlay	167,864	201,320	1,391,329	1,162,175	1,423,554
Other Outgo	1,723,294	1,743,103	1,879,579	448,018	423,212
Debt Service Expenditures	32,079	--	--	--	--
<b>Total Expenditures</b>	<b>92,027,782</b>	<b>104,252,920</b>	<b>106,094,613</b>	<b>118,236,213</b>	<b>125,889,494</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>12,575</b>	<b>6,236,633</b>	<b>8,673,614</b>	<b>(2,099,169)</b>	<b>5,920,486</b>
<b>Other Financing Sources (Uses)</b>					
Transfer In	91,576	187,879	--	--	--
Transfers Out	(85,000)	(694,923)	(61,042)	--	--
<b>Total Other Sources &amp; Uses</b>	<b>6,576</b>	<b>(507,044)</b>	<b>(61,042)</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>19,151</b>	<b>5,729,589</b>	<b>8,612,572</b>	<b>(2,099,169)</b>	<b>5,920,486</b>
<b>Fund Balance, Beginning of Year</b>	<b>13,981,411</b>	<b>14,000,562</b>	<b>19,730,151</b>	<b>28,342,723</b>	<b>26,243,554</b>
<b>Fund Balance, End of Year</b>	<b>\$14,000,562</b>	<b>\$19,730,151</b>	<b>\$28,342,723</b>	<b>\$26,243,554</b>	<b>\$32,164,040</b>

Source: District Audited Financial Reports.

## District Budget and Interim Financial Reporting

***Budgeting and Interim Reporting Procedures.*** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Solano County Superintendent of Schools (the "**County Superintendent**"), who is not an officer of the County.

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to 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 with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("**A.B. 1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments.

***Interim Certifications Regarding Ability to Meet Financial Obligations.*** Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education, which is not a department of the County, as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues the following types of certifications:

- **Positive certification** - the school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years.
- **Negative certification** - the school district will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.
- **Qualified certification** - the school district may not meet its financial obligations for the current fiscal year or the subsequent two fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

***District's Budget Approval/Disapproval and Certification History.*** The District has not received any qualified or negative certifications of its financial reports in the past five years, nor have any of its budgets been disapproved. The District's most recently reviewed interim report, the second interim for fiscal year 2019-20, received a positive certification from the Board.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Vacaville Unified School District, 401 Nut Tree Road, Vacaville, California 95687; telephone (707) 453-6177. The District may impose charges for copying, mailing and handling.

**District's General Fund.** The following table shows the general fund figures for the District for fiscal years 2019-20 (estimated actuals) and 2020-21 (adopted budget).

**GENERAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE <sup>(1)</sup>  
Fiscal Year 2019-20 (Estimated Actuals)  
Fiscal Year 2020-21 (Adopted Budget)  
Vacaville Unified School District**

	Estimated Actuals 2019-20	Adopted Budget 2020-21
<u>Revenues</u>		
LCFF Sources	\$104,982,187	\$97,885,093
Federal Revenues	5,556,175	4,643,398
Other State Revenues	11,275,673	9,051,216
Other Local Revenues	5,962,015	5,064,014
Total Revenues	127,776,050	116,643,721
<u>Expenditures</u>		
Certificated Salaries	53,427,666	51,213,996
Classified Salaries	21,727,079	21,585,667
Employee Benefits	33,398,986	34,176,771
Books and Supplies	6,142,784	3,828,508
Services & Operating Exp.	15,691,549	16,148,678
Capital Outlay	1,118,053	534,682
Other Outgo (Excluding Indirect Costs)	501,028	608,778
Other Outgo (Indirect Costs)	(132,957)	(77,058)
Total Expenditures	131,874,188	128,020,022
Excess of Revenues Over/(Under) Expenditures	(4,098,138)	(11,376,301)
<u>Other Financing Sources (Uses)</u>		
Operating Transfers in	876	--
Operating Transfers out	(127,823)	(577,108)
Other Sources (Uses)	--	--
Total Other Financing Sources (Uses)	(126,947)	(577,108)
Net Change in Fund Balance	(4,225,085)	(11,953,409)
Fund Balance, July 1	22,752,984	18,607,029
Fund Balance, June 30	\$18,607,029	\$6,653,620

(1) Budget and estimated actual balances shown do not include certain funds included in the District's audited financial statements.

Source: Vacaville Unified School District.

**District Reserves.** The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve that meets the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("**SB 858**"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of three times the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA under 400,000, the limit is two times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

On October 11, 2017, the Governor signed new legislation ("**SB 751**") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with ADA of 2,500 or less are exempt from the reserve cap. The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered and what impact it may have on the District's reserves.

### **Funding Trends - ADA and LCFF Funding**

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance ("**ADA**"). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth LCFF funding for the District for fiscal years 2013-14 through 2020-21 (Budgeted).

#### **AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF Fiscal Years 2013-14 and 2020-21 Vacaville Unified School District**

<b>Fiscal Year</b>	<b>ADA</b>	<b>LCFF Entitlement Per ADA</b>
2013-14	10,773	\$6,501
2014-15	10,694	7,206
2015-16	10,695	8,006
2016-17	10,491	8,696
2017-18	10,850	8,591
2018-19	10,926	9,281
2019-20 <sup>(1)</sup>	11,060	9,492
2020-21 <sup>(1)</sup>	11,060	8,850

(1) Estimated Actual/Budgeted.

Source: California Department of Education, School Fiscal Services 2013-14 through 2018-19; Vacaville Unified School District 2019-20 and 2020-21.

**District's Unduplicated Student Count.** Under LCFF, school districts are entitled to supplemental and concentration grant funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 43% for the purposes of calculation supplemental and concentration grant funding.

**Possible Impacts of COVID-19.** As described herein, the short-term and long-term impact of COVID-19 on the District's attendance, revenues and local property values cannot be predicted. The Bonds described in this Official Statement are secured by *ad valorem* property taxes, and not the District's general fund. See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

## **Revenue Sources**

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

**LCFF Sources.** District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238.03(c) itemizes the local revenues that are subtracted from the base entitlement to determine the amount of the State apportionment of funding. Historically, the more local property taxes a district received, the less State equalization aid it was entitled to.

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools and others.

**Other State Revenues.** As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's funding entitlement under the LCFF and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

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 instruction material.

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

### **District Retirement Systems**

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

**Implementation of GASB Nos. 68 and 71.** Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014. See APPENDIX B for additional information.

**STRS.** All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years, and the budgeted contribution for fiscal year 2020-21 are set forth in the following table.

**STRS Contributions**  
**Vacaville Unified School District**  
**Fiscal Years 2013-14 through 2020-21 (Projected)**

<b>Fiscal Year</b>	<b>Amount</b>
2013-14	\$3,721,863
2014-15	4,138,203
2015-16	5,289,513
2016-17	9,776,396
2017-18	11,869,721
2018-19	17,437,911
2019-20 <sup>(1)</sup>	13,181,038
2020-21 <sup>(1)</sup>	12,596,779

<sup>(1)</sup> Estimated Actual/Budgeted.  
Source: Vacaville Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of



investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (STRS)**  
**Fiscal Years 2019-20 through 2022-23**

<b>Fiscal Year</b>	<b>Employer Contribution Rate<sup>(1)</sup></b>
2019-20	17.10%
2020-21	18.40
2021-22 <sup>(2)</sup>	18.60
2022-23 <sup>(2)</sup>	18.10

(1) Expressed as a percentage of covered payroll.

(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.

Source: AB 1469

Based upon the recommendation from its actuary, for Fiscal Year 2021-2022 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "**STRS Board**"), is required to increase or decrease the employer contribution rate to reflect the contribution required to eliminate the remaining unfunded actuarial obligation with respect to service credited to members of the STRS plan before July 1, 2014 (the "**2014 Liability**") by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which employees' contributions to the STRS plan are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, A.B. 1469 also requires the STRS Board to report to the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS plan and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for employers and the State in order to eliminate the 2014 Liability.

On February 14, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation as of June 30, 2016. The revised actuarial assumptions include (i) decreasing the investment rate of return to 7.25% and then to 7.00%, for the June 30, 2016 and June 30, 2017 actuarial valuations,

respectively, (ii) decreasing projected wage growth to 3.50% (from 3.75%), and (iii) decreasing the inflation factor to 2.75% (from 3.00%).

The State also contributes to STRS, currently in an amount equal to 7.328% of teacher payroll in Fiscal Year 2018-2019. Based upon the recommendation from its actuary, starting for fiscal year 2017-2018 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account, which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

**PERS.** All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years, and the budgeted contribution for fiscal year 2019-20, are set forth in the following table.

**PERS Contributions  
Vacaville Unified School District  
Fiscal Years 2013-14 through 2020-21 (Budgeted)**

<b>Fiscal Year</b>	<b>Amount</b>
2013-14	\$1,592,409
2014-15	1,756,650
2015-16	2,053,009
2016-17	2,608,872
2017-18	3,112,211
2018-19	5,063,379
2019-20 <sup>(1)</sup>	3,569,042
2020-21 <sup>(1)</sup>	4,255,401

<sup>(1)</sup> Estimated Actual/Budgeted.

Source: Vacaville Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in

contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

**PERS Discount Rate  
Fiscal Years 2018-19 through 2020-21**

<b>Fiscal Year</b>	<b>Amount</b>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

*Source: PERS.*

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, were implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)  
Fiscal Years 2019-20 through 2022-23<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Employer Contribution Rate<sup>(2)</sup></b>
2019-20	19.721%
2020-21	22.900
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll.

*Source: PERS*

On February 13, 2018, the Board of Administration of PERS voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2020-21.

**California Public Employees' Pension Reform Act of 2013.** On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below),

(iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPPRA through collective bargaining.

PERS has predicted that the impact of PEPPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

COVID-19 Impacts: Recent investment losses in the PERS and STRS portfolios as a result of the general market downturn caused by the COVID-19 outbreak may result in increases in the District's required contributions in future years. The District cannot predict the level of such increases, if any.

***Additional Information.*** Additional information regarding the District's retirement programs is available in Note 6 to the District's audited financial statements attached to this Official Statement as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, [www.calstrs.com](http://www.calstrs.com) and [www.calpers.ca.gov](http://www.calpers.ca.gov), respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter*

## Post-Employment Retirement Benefits

**Plan Description.** The District provides post-employment health care benefits to eligible retired employees who are at least age 50 and have at least 18 years of service with the District and obtain medical insurance coverage in a District plan. For nine of the 18 years of service, the employee must have been qualified for benefits. The health care benefit is payable until the earlier of the death of the retiree or 7 years following date of commencement. Membership of the Plan as of June 30, 2017 was 418 retirees, and 19 spouses of retirees currently receiving benefits and 1,083 active plan members.

**Actuarial Assumptions and Other Inputs.** The District's OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017 using an inflation rate of 2.75%, and healthcare cost trend rates under 65 years at 1.50% to 4.25%, and over 65 years at 1.00% to 4.50%. The entry age normal actuarial cost method was used.

**Discount rate.** The discount rate used to measure total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from school districts and county offices will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in OPEB Liability of the District.** The changes in OPEB liability of the District as of June 30, 2019, is shown in the following table:

### CHANGES IN TOTAL OPEB LIABILITY Vacaville Unified School District

Balance at June 30, 2018	\$33,603,814
<b>Changes for the year</b>	
Service Cost	1,121,539
Interest	2,285,194
Benefit payments	<u>(1,770,136)</u>
Net changes	1,636,597
Balance at June 30, 2019	\$35,240,411

Source: Vacaville Unified School District.

**OPEB Expense.** For the year ended June 30, 2019, the District recognized an OPEB expense of \$197,537. For additional information about the District's other postemployment benefits, see Note 7 of the District's audited financial statements for fiscal year ended June 30, 2019, attached to the Official Statement as APPENDIX B.

## Insurance-Joint Powers Agreements

The District is a member with other school districts in a joint powers authority ("JPA"), North Bay Schools Insurance Authority, for the operation of a common risk management and insurance program for property and liability coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. The relationship between

the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

## Existing Debt Obligations

**General Obligation Bonds.** The District has general obligation bonds secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds, as described below. The following table shows the outstanding principal amount of general obligation bonded debt of the District as of July 1, 2020.

### Summary of Outstanding General Obligation Bond Indebtedness Vacaville Unified School District

Issue Date	Issue Name	Original Principal Amount	Outstanding Principal as of 7/1/2020
05/20/2014	2014 General Obligation Refunding Bonds	\$22,950,000	\$17,900,000
01/06/2015	2014 General Obligation Refunding Bonds, Series B	33,910,000	33,230,000
05/05/2015	2014 General Obligation Refunding Bonds, Series C (Forward Delivery)	20,370,000	15,740,000
08/13/2015	General Obligation Bonds, Election of 2014, Series A	40,000,000	24,320,000
05/10/2017	General Obligation Bonds, Election of 2014, Series B	38,000,000	34,605,000
01/29/2019	General Obligation Bonds, Election of 2014, Series C	45,000,000	45,000,000
04/30/2020	General Obligation Bonds, Election of 2014, Series D	71,000,000	71,000,000
Total		\$271,230,000	\$241,795,000

**Certificates of Participation.** On May 14, 2015, the District issued its \$15,890,000 Certificates of Participation (the “**2015 COPs**”), currently outstanding in the aggregate principal amount of \$15,890,000, with principal payments due December 1, 2020 through December 1, 2036. Debt service payments on the 2015 COPs are payable from monies in the District’s general fund.

## Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the Solano County Treasurer-Tax Collector (the “**Treasurer**”) manages funds deposited with it by the District. Solano County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

## Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see “—Funding of Education Generally” above). State funds typically make up the majority of a district’s LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding.

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

### State Funding of Education

**General.** The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State’s general fund, and (2) a locally funded portion, being a district’s share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see “DISTRICT FINANCIAL INFORMATION – Education Funding Generally” above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The COVID-19 pandemic is expected to have a material impact on State revenues and appropriations.

*The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly available information provided by the State. None of the District, the Underwriter or the County is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.*

**The Budget Process.** The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “**Governor’s Budget**”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor’s Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or

eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

### **Recent State Budgets**

Certain information about the State budgeting process and the State budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget", includes the text of proposed and adopted State budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading "Subject Area – Budget (State)".

**Prior Years' Budgeting Techniques.** Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These



techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2019-20 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

**2013-14 State Budget: Significant Change in Education Funding.** As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

## **2020-21 State Budget**

**Introduction and Background.** The Governor signed the fiscal year 2020-21 State Budget (the “**2020-21 State Budget**”) on June 29, 2020. The 2020-21 State Budget notes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment, and further action from the federal government is needed as a result of the crisis. The Governor is pursuing \$1 trillion in flexible federal aid to state and local governments across the country, which support will be critical to mitigate the effects of the public health crisis, encourage recovery, and support persons in need.

At the time of the Governor's proposed 2020-21 State Budget in January, the State was projecting a surplus of \$5.6 billion. At the time of the May Revision with respect to the 2020-21 State Budget, the State had a budget deficit of \$54.3 billion. The 2020-21 State Budget includes measures to close the gap and bring the State's resources and spending into balance while preserving reserves for future years.

To reduce the structural deficit in the coming years, the 2020-21 State Budget sustains the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the 2019 Budget Act. In addition, the 2020-21 State Budget accelerates the suspension of most Proposition 56 (2016 tobacco tax measure) tax rate increases to July 1, 2021. Despite these measures, the State forecasts an operating deficit of \$8.7 billion in 2021-22, after accounting for reserves.

**Closing the Budget Gap.** The 2020-21 State Budget uses the following strategies to close the budget gap:

- **Reserve Draw Down:** Draws down \$8.8 billion in reserves, including from the State's Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account.
- **Triggers:** Includes \$11.1 billion in funding reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the

reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred funding for schools.

- Federal Funds: Relies on \$10.1 billion in federal funds that provide State general fund relief, including \$8.1 billion already received.
- Revenues: Temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year.
- Borrowing/Transfers/Deferrals: Relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.
- Other Solutions: Cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues above the May Revision forecast and lower health and human services caseload costs than the May Revision estimated.

**General Budget Highlights.** Certain highlights of the 2020-21 State Budget are:

Emergency Response: COVID-19 and other emergency response efforts included in the 2020-21 State Budget are:

- Responding to COVID-19: The State expects to receive over \$72 billion in federal assistance to State programs, of which unemployment insurance represents about \$52 billion of this total. Under the CARES Act, the State received \$9.5 billion for various uses including \$4.4 billion to mitigate K-14 learning loss. The amount of \$5.9 million of General Fund spending for 2020-21 and \$4.8 million ongoing is allocated to support the State Department of Health's response to COVID-19.
- Enhancements to Emergency Responses and Preparedness: \$117.6 million is allocated to the State Office of Emergency Services to enhance emergency preparedness and response capabilities, including with respect to power outages, earthquakes, wildfires and cybersecurity.
- Forestry and Fire Protection: \$90 million is allocated to enhance CAL FIRE's fire protection capabilities, including for wildfire prediction and modeling technology.

Revenue Solutions. Revenue measures which are expected to net \$4.3 billion in 2020-21, \$3.1 billion in 2021-22 and \$1.3 billion in 2022-23, include:

- Certain Tax Measure Extensions. Extending certain tax measures including certain sales tax exemptions through the end of 2022-23, extending the carryover period for film credits from 6 years to 9 years, and extending the current exemption from the minimum tax for first year

corporations to first year limited liability corporations, partnerships, and limited liability partnerships.

- Expansion of Earned Income Tax. Expanding the Earned Income Tax Credit to certain taxpayers.

- Changes to Tax Laws and Sales Tax. Changes in tax law including suspending net operating losses for 2020, 2021, and 2022 for medium and large businesses, and limiting certain business incentive tax credits, and with respect to closing the sale tax loss gap, requiring used car dealers to remit sales tax to the Department of Motor Vehicles with registration fees.

Recovery for Small Businesses. The 2020-21 State Budget includes a waiver of the minimum franchise tax for the first year of operation, \$100 million budgeted for the State's small business loan program, \$25 million to provide capital to enable the origination of more loans in underbanked communities, and adding funding of \$758,000 ongoing for positions relating to small business support.

Housing. Up to \$500 million is allocated in State tax credits for low-income housing in 2021, under certain conditions. The 2020-21 State Budget provides \$331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions, and \$8.3 billion across multiple departments and programs to address housing throughout the State.

***K-12 Education Funding Summary.*** For K-12 education funding, the 2020-21 State Budget provides for funding under Proposition 98 of \$70.9 billion, which is more than \$10 billion below the minimum guarantee contained in the State's 2019-20 budget. For K-12 schools, this results in Proposition 98 per pupil spending of \$10,654 in 2020-21, which is a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all State, federal, and local sources decreased by approximately \$542 per pupil to \$16,881.

Efforts to mitigate the impact of the decline in K-12 funding in the 2020-21 State Budget include:

Deferrals: \$1.9 billion of LCFF apportionment deferrals in 2019-20, growing to \$11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years. The statutory LCFF cost-of-living adjustment is suspended in 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in 2020-21 if the federal funding becomes available.

Learning Loss Mitigation: A one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 General Fund, and \$355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures. Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs.

Supplemental Appropriations: In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately \$12.4 billion. To

accelerate the recovery from this funding reduction, the 2020-21 State Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of State general fund revenues per year, up to a cumulative total of \$12.4 billion.

Revised PERS and STRS Contributions. To provide local educational agencies with increased fiscal relief, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the STRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The PERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

Federal Funds. The 2020-21 State Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds that the State was recently awarded. Of this amount, 90 percent (\$1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs. The remaining 10 percent (\$164.7 million) is available for certain COVID-19 related State-level activities, such as providing additional funding for student meals and social services.

Special Education. The 2020-21 State Budget increases special education base rates to \$625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides \$100 million to increase funding for students with low-incidence disabilities. Additional federal funding received by the State is also allocated to various special education programs.

Average Daily Attendance. To ensure funding stability regardless of the instructional model undertaken in the 2020-21 academic year, the 2020-21 State Budget includes a hold harmless for the average daily attendance used to calculate school funding for all local educational agencies and includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

In addition, the 2020-21 State Budget includes certain employee protection terms to ensure the continuity of employment for essential school staff during the COVID-19 pandemic. As such, the 2020-21 State Budget includes the suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff, and the suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021. The 2020-21 State Budget also includes the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in the 2020-21 fiscal year.

#### **Disclaimer Regarding State Budgets.**

The implementation of the foregoing 2020-21 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other

unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2019-20 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

***Availability of State Budgets.*** The complete 2020-21 State Budget are available from the California Department of Finance website at [www.ebudget.ca.gov](http://www.ebudget.ca.gov). An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at [www.lao.ca.gov/budget](http://www.lao.ca.gov/budget). The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

***Uncertainty Regarding Future State Budgets.*** The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits and the impact such actions will have on State revenues available in the current or future years for education. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The COVID-19 outbreak has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels for fiscal year 2019-20 and beyond. In addition, the outbreak could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic" herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 outbreak. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

### **Legal Challenges to State Funding of Education**

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Refunding Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

### Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

### Article XIII A of the California Constitution

**Basic Property Tax Levy.** On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) 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% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for the payment of the Refunding Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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

**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.

**Inflationary Adjustment of Assessed Valuation.** As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

## **Article XIII B of the California Constitution**

Article XIII B (“**Article XIII B**”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. 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 under 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 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 XIIB 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. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIB 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 under Section 8.5 of Article XVI of the State Constitution.

### **Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties 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.

### **Articles XIIC and XIID 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 XIIC and XIID (respectively, "**Article XIIC**" and "**Article XIID**"), 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 XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC 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.



On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC 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 XIID. 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.

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Refunding Bonds.

## **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 general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the 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.

## **Proposition 111**

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

***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.

***Treatment of Excess Tax Revenues.*** "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

***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 the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

***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.

**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 (the “**third test**”). 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. Constitutional amendments may be changed only with another statewide vote. 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 Proposition 39 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. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. 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.

### **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amended 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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. 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 amended 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, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

### **Proposition 30 and Proposition 55**

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “**Proposition 30**”), 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. 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 December 31, 2018, Proposition 30 increases 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 \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “Proposition 98” and “Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax increases of Proposition 30.

### **California Senate Bill 222**

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections such as the Refunding Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under 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.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**VACAVILLE UNIFIED SCHOOL DISTRICT**

**COUNTY OF SOLANO  
VACAVILLE, CALIFORNIA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

# VACAVILLE UNIFIED SCHOOL DISTRICT

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# VACAVILLE UNIFIED SCHOOL DISTRICT

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**James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Governing Board  
Vacaville Unified School District  
Vacaville, 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 Vacaville Unified School District (the "District"), as of and for the year ended June 30, 2019, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Vacaville Unified School District (the “District”), as of June 30, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual – for General Fund and Charter School Fund, Schedule of Changes in the District’s Net OPEB Liability and Related Ratios, Schedule of OPEB Contributions, Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions 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.

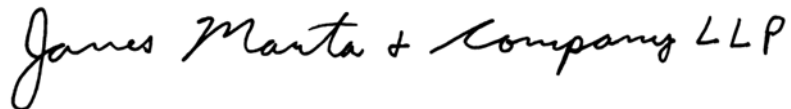
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by the August 2019 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The script is cursive and fluid, with the letters "J", "M", and "C" being particularly large and stylized.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 6, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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Management's discussion and analysis of Vacaville Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. 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, notes to the basic financial statements and the District's financial statements, as listed in the table of contents.

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**

- P-2 funded average daily attendance (ADA) for 2018-19 was 10,926.43 (not including adult education and charter school attendance).
- General Fund Revenues increased by \$16,544,715 over prior year. The increase is primarily due to additional Local Control Funding Formula funding and the additional entry for SB 90 for STRS and PERS on Behalf.
- General Fund combined unrestricted and restricted revenues exceeded expenditures and other sources and other uses by \$5,920,486 resulting in a general fund ending balance of \$32,164,040 with a total Unassigned/Unappropriated amount of \$14,416,627 which satisfies the state minimum reserve requirement of 3%.
- In complying with GASB 34, fixed assets were valued at historical cost and are reported. The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$344 million. After accumulated depreciation, the June 30, 2019 book value for fixed assets totaled \$246 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Components of the Financial Section**

The financial statements also include notes that explain some of the 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.



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**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 accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of 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 2018-19?"

These two statements report the School District's net position and changes in net position. This 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 other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health to 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 Statement*

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, the Building Fund, the Capital Facilities 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.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, the same as the District-wide statements. The District currently has no proprietary funds.

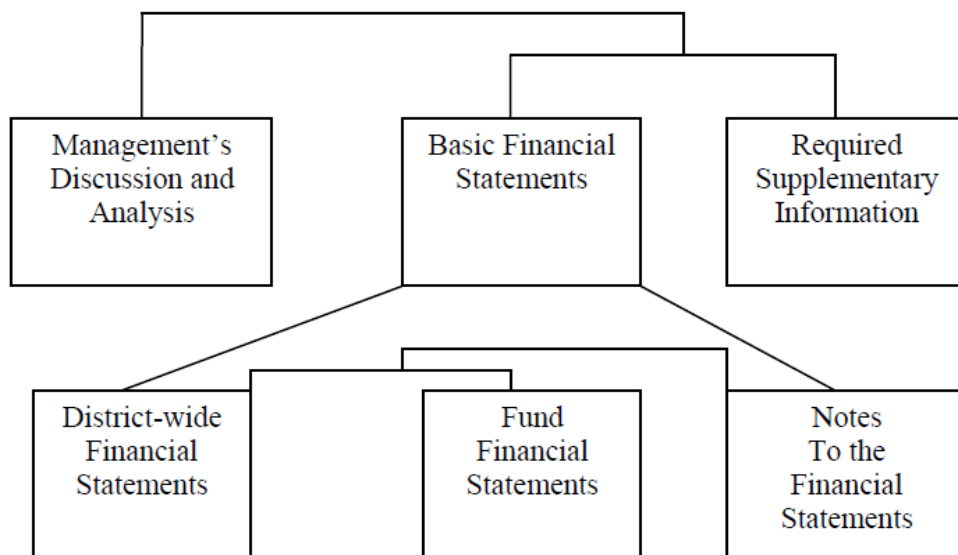
**Fiduciary Funds**

The District is the trustee, or fiduciary, for its student activity 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.

This annual report consists of three parts – management’s discussion and analysis (this section,) the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Vacaville 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.

**Components of the Financial Section**

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The first two statements are *district-wide financial statements*, the Statement of Net Position and 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 are 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. A comparison of the District’s general fund budget is included.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

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*The School District as a Whole*

The District's ending net position was \$25 million at June 30, 2019. Investments in capital assets, net of related debt, account for \$52 million of the total net position.

(Table 1)

<b>Condensed Statement of Net Position</b>				
	<u><b>June 30, 2019</b></u>	<u><b>June 30, 2018</b></u>	<u><b>Change</b></u>	<u><b>Percentage %</b></u>
<b>Assets:</b>				
Current Assets	\$ 120,095,069	\$ 72,933,618	\$ 47,161,451	64.7%
Capital Assets, Net	<u>246,188,228</u>	<u>224,732,181</u>	<u>21,456,047</u>	<u>9.5%</u>
<b>Total Assets</b>	<u>366,283,297</u>	<u>297,665,799</u>	<u>68,617,498</u>	<u>23.1%</u>
Deferred Outflows of Resources	<u>64,202,238</u>	<u>44,428,331</u>	<u>19,773,907</u>	<u>44.5%</u>
<b>Liabilities:</b>				
Current Liabilities	17,797,034	25,674,549	(7,877,515)	-30.7%
Long-term Liabilities	<u>354,075,323</u>	<u>300,115,473</u>	<u>53,959,850</u>	<u>18.0%</u>
<b>Total Liabilities</b>	<u>371,872,357</u>	<u>325,790,022</u>	<u>46,082,335</u>	<u>14.1%</u>
Deferred Inflows of Resources	<u>33,687,466</u>	<u>41,491,355</u>	<u>(7,803,889)</u>	<u>-18.8%</u>
<b>Net Position:</b>				
Invested in Capital Assets	52,413,228	68,427,181	(16,013,953)	-23.4%
Restricted	62,232,850	21,899,252	40,333,598	184.2%
Unrestricted	<u>(89,720,366)</u>	<u>(115,513,680)</u>	<u>25,793,314</u>	<u>-22.3%</u>
<b>Total Net Position</b>	<u>\$ 24,925,712</u>	<u>\$ (25,187,247)</u>	<u>\$ 50,112,959</u>	<u>-199.0%</u>

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

The District's change in net position was \$50.1 million this year. The District's expenses for instructional and pupil services represented 76% percent of total expenses.

**Condensed Statement of Activities**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>	<u>Percentage %</u>
<b>Revenues:</b>				
Charges for services	\$ 3,351,718	\$ 1,120,603	\$ 2,231,115	199.1%
Operating Grants & Contributions	26,617,167	17,818,861	8,798,306	49.4%
Capital Grants & Contributions	474,438	-	474,438	N/A
Federal & State Aid	78,660,254	67,344,203	11,316,051	16.8%
Taxes Levied for General Purposes	39,124,570	40,356,484	(1,231,914)	-3.1%
Taxes Levied for Debt Service	12,847,000	12,399,332	447,668	3.6%
Taxes Levied for Other Specific Purposes	956,163	1,276,440	(320,277)	-25.1%
Interest & Investment Earnings	490,560	783,409	(292,849)	-37.4%
Miscellaneous	1,200,553	2,129,433	(928,880)	-43.6%
Special and Extraordinary Items	2,292,136	2,082,132	210,004	10.1%
<b>Total Revenues</b>	<u>166,014,559</u>	<u>145,310,897</u>	<u>20,703,662</u>	<u>14.2%</u>
<b>Expenses:</b>				
Instruction	57,614,421	85,830,451	(28,216,030)	-32.9%
Instruction Related Services	14,379,588	22,119,021	(7,739,433)	-35.0%
Pupil Services	15,370,152	22,491,951	(7,121,799)	-31.7%
General Administration	8,706,836	10,072,366	(1,365,530)	-13.6%
Plant Services	12,097,544	14,595,857	(2,498,313)	-17.1%
Other Expenses	7,733,059	14,402,661	(6,669,602)	-46.3%
<b>Total Expenses</b>	<u>115,901,600</u>	<u>169,512,307</u>	<u>(53,610,707)</u>	<u>-31.6%</u>
<b>Change in Net Position</b>	<u>\$ 50,112,959</u>	<u>\$ (24,201,410)</u>	<u>\$ 74,314,369</u>	<u>307.1%</u>

**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 \$109 million, an increase of \$46.4 million from the previous fiscal year's combined ending balance of \$62.7 million. The General Fund balance increased \$5.9 million and the Building Fund increased \$36 million from the prior year.

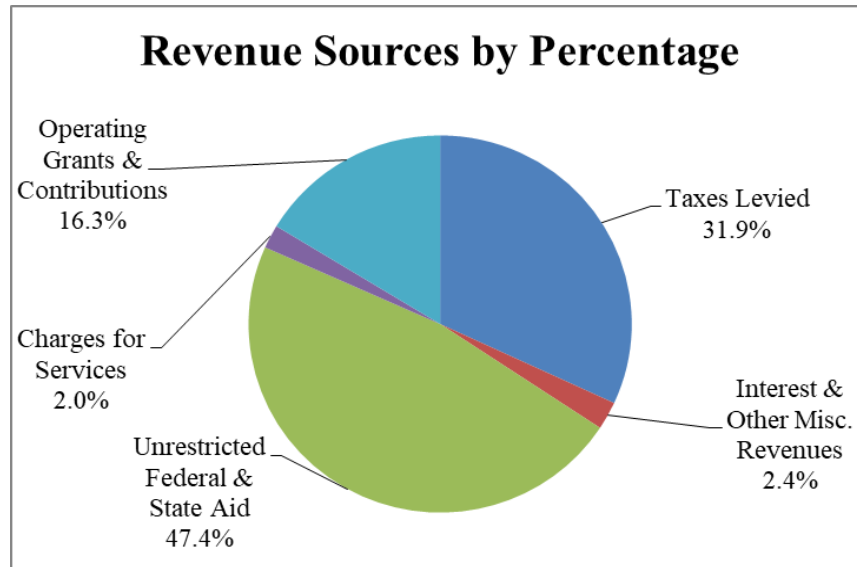
**Governmental Activities**

The amount that the District's local taxpayers financed for these activities through property taxes was \$53 million. Federal and State aid not restricted to specific purposes totaled \$79 million. Operating Grants & Contribution revenue totaled \$27 million. Interest & Other Miscellaneous revenues total \$4 million. (See Figure 1)

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

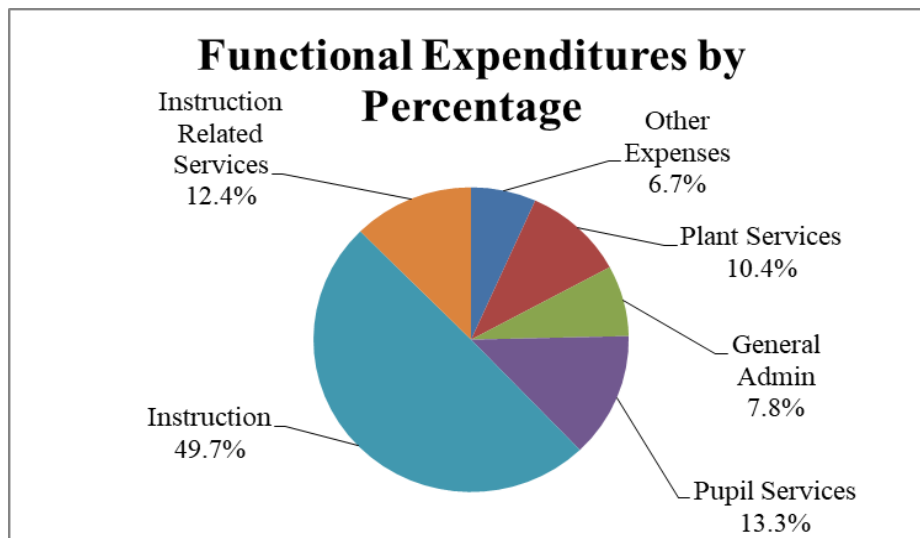
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**Sources of VUSD's Revenue for the 2018-19 Fiscal Year Figure 1**



The administrative activities of the District accounted for 7.8% percent of total costs. Instruction and Instruction Related Services accounted for 62.1% of costs. Pupil services constituted 13.8% of the total while Plant services accounted for 10.4%. Other expenses accounted for the remaining 6.7% (See Figure 2).

**Sources of VUSD's Expenses for the 2018-19 Fiscal Year**  
**Figure 2**



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget monthly. 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 on 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 District ended the year with \$32.2 million in the general fund ending balance, of which \$3.7 million is designated as the reserve for economic uncertainties. The remaining balance is made up of nonspendable, restricted, assigned and unassigned fund balances. The State recommends an ending reserve for economic uncertainties of 3%.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of the 2018-19 fiscal year, the District had invested \$344 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were \$246 million as of June 30, 2019, which is an increase of \$21 million from the previous year.

Table 3 Capital Assets

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Land	\$ 5,969,271	\$ 5,969,271	\$ -
Site Improvement	\$ 68,684,828	\$ 36,338,569	\$ 32,346,259
Buildings	\$ 249,634,021	\$ 228,577,423	\$ 21,056,598
Machinery & Equipment	\$ 6,495,774	\$ 5,874,427	\$ 621,347
Work in Progress	\$ 13,514,860	\$ 45,888,291	\$ (32,373,431)
Total	\$ 344,298,754	\$ 322,647,981	\$ 21,650,773
Less: Accumulated Depreciation	\$ (98,110,526)	\$ (97,915,800)	\$ (194,729)
Book Value	\$ 246,188,228	\$ 224,732,181	\$ 21,456,044

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

**Long-Term Debt**

At June 30, 2019, the District had \$354 million in long-term debt outstanding.

**Outstanding Debt**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
General Obligations Bonds	\$ 177,885,000	\$ 140,415,000	\$ 37,470,000
Certificate of Participation	\$ 15,890,000	\$ 15,890,000	\$ -
Net Pension Liability	\$ 133,648,039	\$ 127,612,744	\$ 6,035,295
Net OPEB Obligation	\$ 25,908,485	\$ 26,127,626	\$ (219,141)
Compensated Absences	\$ 743,799	\$ 697,826	\$ 45,973
<b>Total</b>	<b>\$ 354,075,323</b>	<b>\$ 310,743,196</b>	<b>\$ 43,332,127</b>

The District continues to maintain excellent credit ratings on all of its debt issues.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Governor's budget assumes continued growth in Prop. 98 revenue. This is good news and districts are fully funded under LCFF which can create expenditure challenges as well. Districts face increasing competition for a limited pool of qualified teaching candidates, coupled with the legislatively established STRS rates and increasing PERS costs borne by employees and employers.

Although LCFF funding is increasing by the COLA, there has been no recognition of the significant increase in the District's contribution to the state retirement funds. These mandated contributions are taking a larger share of the District budget without a comparable increase in the base funding to account for these increasing costs. In 2013-14, retirement system district contributions accounted for 5.66% of the General Fund expenditures; 5.97% in 2014-15; 6.55% in 2015-16; 7.98% in 16-17; 8.52% in 17-18; 9.52% in 18-19 and a projected 10.11% in the 2019-20 adopted budget (excluding STRS and PERS on Behalf). As noted below, the contribution rates are projected to continue increasing significantly over the next several years.

The following are the current planning factors for multi-year projections:

<b>Planning Factors</b>	<b>Fiscal Year</b>		
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
COLA	3.26%	3.00%	2.80%
STRS Employer Rates	17.10%	18.40%	18.10%
PERS Employer Rates (PERS Board/Actuary)	19.721%	22.70%	24.60%

LCFF Revenues for the 2019-20 fiscal year are projected based on 10,932.20 average daily attendance (ADA).

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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The District will realize increased funds under the LCFF due to continued increased enrollment but the funding formula requires increased and/or improved services to students, especially students in the targeted groups – English learners, foster youth and low socio-economic. With LCFF comes increased accountability through the Local Control Accountability Plan, which requires a link between student outcomes and expenditures.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, vendors, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions about this report or additional information requests should be directed to the Chief Business Officer at 401 Nut Tree Road, Vacaville, California 95687.



## **FINANCIAL SECTION**

VACAVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 113,889,740
Receivables	6,083,369
Other assets	12,806
Prepaid expenses	109,154
Capital Assets - net of accumulated depreciation	<u>246,188,228</u>
Total Assets	<u>366,283,297</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding of bonds	4,658,428
Deferred outflows on pensions (note 6)	<u>59,543,810</u>
Total Deferred Outflows	<u>64,202,238</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	17,083,492
Unearned revenue	713,542
Long-term liabilities -	
Due within one year	10,201,210
Due after one year	<u>343,874,113</u>
Total Liabilities	<u>371,872,357</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred COP premium revenue	14,884,279
Deferred inflows on OPEB (note 7)	40,667
Deferred inflows on pensions (note 6)	<u>18,762,520</u>
Total Deferred Inflows	<u>33,687,466</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	52,413,228
Restricted	62,232,850
Unrestricted	<u>(89,720,366)</u>
Total Net Position	<u>\$ 24,925,712</u>

# VACAVILLE UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenues and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
<b>Governmental Activities</b>					
Instruction	\$ 57,614,421	\$ 36,588	\$ 15,294,114	\$ 474,438	\$ (41,809,281)
Instruction - related services:					
Supervision of instruction	4,697,745	4,982	1,662,201	-	(3,030,562)
Instructional library and technology	1,327,394	1,818	81,843	-	(1,243,733)
School site administration	8,354,449	2,063	746,120	-	(7,606,266)
Pupil Services:					
Home-to-school transportation	1,672,247	18	57,146	-	(1,615,083)
Food services	4,054,069	1,093,247	3,322,864	-	362,042
All other pupil services	9,643,836	5,107	3,269,857	-	(6,368,872)
General administration:					
Data processing	1,353,766	850	61,538	-	(1,291,378)
All other general administration	7,353,070	22,515	468,203	-	(6,862,352)
Plant services	12,097,544	96,158	921,649	-	(11,079,737)
Ancillary services	583,703	119	24,763	-	(558,821)
Interest on long-term debt	6,216,862	-	-	-	(6,216,862)
Other outgo	737,768	2,088,253	706,869	-	2,057,354
Depreciation (unallocated)	194,726	-	-	-	(194,726)
Total governmental activities	<u>\$ 115,901,600</u>	<u>\$ 3,351,718</u>	<u>\$ 26,617,167</u>	<u>\$ 474,438</u>	<u>(85,458,277)</u>
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					39,124,570
Taxes levied for debt service					12,847,000
Taxes levied for other specific purposes					956,163
Federal and state aid not restricted to specific purposes					78,660,254
Interest and investment earnings					490,560
Interagency revenues					2,292,136
Miscellaneous					1,200,553
Total general revenues					<u>135,571,236</u>
Change in net position					50,112,959
Net Position - beginning, July 1, 2018					<u>(25,187,247)</u>
Net position - ending, June 30, 2019					<u>\$ 24,925,712</u>

**VACAVILLE UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2019**

	<b>General Fund</b>	<b>Charter School Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 34,729,992	\$ 5,073,281	\$42,998,875	\$ 14,291,157	\$ 14,720,930	\$ 2,075,505	\$113,889,740
Accounts receivable	5,372,840	181,270	-	4,385	-	524,874	6,083,369
Stores	12,806	-	-	-	-	-	12,806
Prepaid expenses	97,396	10,596	-	-	-	1,162	109,154
Due from other funds	2,120,669	493,632	549,773	84,878	-	960,116	4,209,068
Total assets	<u>\$ 42,333,703</u>	<u>\$ 5,758,779</u>	<u>\$43,548,648</u>	<u>\$ 14,380,420</u>	<u>\$ 14,720,930</u>	<u>\$ 3,561,657</u>	<u>\$124,304,137</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ 7,927,236	\$ 411,682	\$ 1,763,484	\$ 54,762	\$ -	\$ 148,015	\$ 10,305,179
Due to other funds	1,529,082	1,994,896	84,878	-	-	600,212	4,209,068
Unearned revenue	713,345	-	-	-	-	197	713,542
Total liabilities	<u>10,169,663</u>	<u>2,406,578</u>	<u>1,848,362</u>	<u>54,762</u>	<u>-</u>	<u>748,424</u>	<u>15,227,789</u>
Fund balances							
Nonspendable	160,202	10,596	-	-	-	4,974	175,772
Restricted	3,361,411	463,653	41,700,286	1,079,146	14,720,930	907,424	62,232,850
Assigned	14,096,843	2,877,952	-	13,246,512	-	20,324	30,241,631
Unassigned	14,545,584	-	-	-	-	-	14,545,584
Total fund balances	<u>32,164,040</u>	<u>3,352,201</u>	<u>41,700,286</u>	<u>14,325,658</u>	<u>14,720,930</u>	<u>2,813,233</u>	<u>109,076,348</u>
Total liabilities and fund balances	<u>\$ 42,333,703</u>	<u>\$ 5,758,779</u>	<u>\$43,548,648</u>	<u>\$ 14,380,420</u>	<u>\$ 14,720,930</u>	<u>\$ 3,561,657</u>	<u>\$124,304,137</u>

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

# VACAVILLE UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

### GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total fund balances - governmental funds		\$ 109,076,348
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost:	\$ 344,298,754	
Accumulated depreciation:	<u>(98,110,526)</u>	
		246,188,228
Unamortized costs: In governmental funds, debt issuance premiums, gain or loss on refunding, and defeasance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, these amounts are amortized over the life of the debt. Unamortized premiums, losses, and defeasance costs at year end consist of:		
Unamortized portion of bond premiums		(14,884,279)
Unamortized portion of loss on refunding		4,658,428
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:		
		(6,778,313)
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	\$ 177,885,000	
Net pension liability	133,648,039	
Certificates of participation payable	15,890,000	
Net OPEB liability	25,908,485	
Compensated absences payable	<u>743,799</u>	
		(354,075,323)
Deferred outflows and inflows of resources relating to OPEB: In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred inflows of resources relating to OPEB		(40,667)
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 pension are reported.		
Deferred outflows of resources relating to pensions		59,543,810
Deferred inflows of resources relating to pensions		<u>(18,762,520)</u>
Total net position, governmental activities		<u>\$ 24,925,712</u>

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Charter School Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Total</b>
<b>REVENUES</b>							
LCFF sources	\$ 101,408,672	\$ 11,618,393	\$ -	\$ -	\$ -	\$ -	\$ 113,027,065
Federal revenue	4,349,370	241,462	-	-	-	2,942,195	7,533,027
Other state revenues	17,272,434	1,522,412	17,293	-	87,550	1,516,110	20,415,799
Other local revenues	8,779,504	99,191	481,399	2,462,099	12,925,955	2,185,184	26,933,332
Total revenues	<u>131,809,980</u>	<u>13,481,458</u>	<u>498,692</u>	<u>2,462,099</u>	<u>13,013,505</u>	<u>6,643,489</u>	<u>167,909,223</u>
<b>EXPENDITURES</b>							
Certificated salaries	51,300,929	5,478,441	-	-	-	280,085	57,059,455
Classified salaries	20,056,038	938,980	264,112	-	-	1,733,896	22,993,026
Employee benefits	35,966,679	3,100,072	134,978	-	-	976,633	40,178,362
Books and supplies	3,141,853	203,478	514,914	82,931	-	2,146,746	6,089,922
Services and other operating expenditures	13,577,229	2,528,191	293,885	32,804	-	229,713	16,661,822
Capital outlay	1,423,554	234,746	8,771,376	1,267,218	-	-	11,696,894
Other outgo	423,212	-	-	-	-	120,056	543,268
Debt service expenditures	-	-	-	-	13,658,423	679,317	14,337,740
Total expenditures	<u>125,889,494</u>	<u>12,483,908</u>	<u>9,979,265</u>	<u>1,382,953</u>	<u>13,658,423</u>	<u>6,166,446</u>	<u>169,560,489</u>
Excess of revenues over expenditures	<u>5,920,486</u>	<u>997,550</u>	<u>(9,480,573)</u>	<u>1,079,146</u>	<u>(644,918)</u>	<u>477,043</u>	<u>(1,651,266)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	-	-	474,438	-	-	-	474,438
Operating transfers out	-	-	-	-	-	(474,438)	(474,438)
Other sources	-	-	45,000,000	-	3,029,807	-	48,029,807
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>45,474,438</u>	<u>-</u>	<u>3,029,807</u>	<u>(474,438)</u>	<u>48,029,807</u>
Net change in fund balances	5,920,486	997,550	35,993,865	1,079,146	2,384,889	2,605	46,378,541
Beginning Balance, July 1, 2018	<u>26,243,554</u>	<u>2,354,651</u>	<u>5,706,421</u>	<u>13,246,512</u>	<u>12,336,041</u>	<u>2,810,628</u>	<u>62,697,807</u>
Fund balances, June 30, 2019	<u>\$ 32,164,040</u>	<u>\$ 3,352,201</u>	<u>\$41,700,286</u>	<u>\$ 14,325,658</u>	<u>\$ 14,720,930</u>	<u>\$ 2,813,233</u>	<u>\$ 109,076,348</u>

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

VACAVILLE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds

\$ 46,378,541

Amounts reported for revenues and expenses 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:

\$21,650,773

Depreciation expense:

(194,726)

Net:

21,456,047

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:

7,530,000

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:

(45,000,000)

Amortization: In governmental funds, bond premiums, bond discounts, and bond refunding losses are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, these costs are amortized over the life of the debt. Amortization of premiums, discounts, and refunding losses for the period is:

(2,920,214)

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:

(1,967,298)

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:

24,484,319

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

(45,973)

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer 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:

197,537

Total change in net position - governmental activities

\$ 50,112,959

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

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	<u>Agency Fund</u> <u>Student</u> <u>Body</u>	<u>Trust Fund</u> <u>Foundation</u>	<u>Total</u> <u>Fiduciary</u> <u>Funds</u>
<b>Assets:</b>			
Cash on hand and in banks	\$ 647,251	\$ -	\$ 647,251
Cash in county treasury	<u>263,232</u>	<u>35,786</u>	<u>299,018</u>
Total Assets	<u>\$ 910,483</u>	<u>\$ 35,786</u>	<u>\$ 946,269</u>
<b>Liabilities:</b>			
Due to Student Groups	<u>910,483</u>	<u>-</u>	<u>910,483</u>
Total Liabilities	<u>\$ 910,483</u>	<u>\$ -</u>	<u>\$ 910,483</u>
Net Position			
Restrict	<u></u>	<u>35,786</u>	<u>35,786</u>
Total Net Position	<u>\$ -</u>	<u>\$ 35,786</u>	<u>\$ 35,786</u>



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FIDUCIARY NET POSITION**  
**TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	<b>Private-Purpose Trust Scholarship Funds</b>
Additions	
Donations	\$ 721
Deductions	
Scholarships	-
Change in net position	721
Net position, July 1, 2018	35,065
Net position, June 30, 2019	\$ 35,786

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. HISTORY OF DISTRICT**

Vacaville Unified School District (The “District”) accounts for its financial transactions in accordance with the policies and procedures of the California 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, as prescribed by the Governmental Accounting Standards Board. The following is a summary of more significant policies.

**B. REPORTING ENTITY**

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.

**C. BASIS OF PRESENTATION**

Financial Statements

The basic financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District’s activities, including infrastructure, and focus on the major funds.

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Revenues, Expenditures and Change in Fiduciary Net Position at the fund financial statement level.

The statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District’s taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District’s general revenues.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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Government-Wide Financial Statements (Continued)

*Allocation of indirect expenses:* The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense and is reported separately on the Statement of Activities.

**E. FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District funds are as follows:

**Major Governmental Funds:**

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year end balances for both the Special Reserve for Post-Employment Benefits Fund and Retiree Benefit Fund are combined with the General Fund.

The **Charter School Fund** is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for Charter School Operations.

The **Building Fund** is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bonds.

The **Capital Facilities Fund** is used to account for the accumulation and expenditure of resources used for the acquisition or construction for major capital facilities and equipment.

The **Bond Interest and Redemption Fund** is used to account for the accumulation of resources for, and the repayment of general long-term debt principal, interest, and related costs.

**Non-Major Governmental Funds:**

The **Adult Education Fund** is used to account for revenues received and expenditures made to operate the District's adult education.

The **Cafeteria Fund** is used to account for revenues received and expenditures made to operate the District's cafeterias.

The **Child Development Fund** is used to account separately for federal, state and local revenues to operate child development programs.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Non-Major Governmental Funds: (continued)**

The **County School Facilities Funds** are used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

The **Special Reserve Fund for Capital Outlay Projects** is used to account for resources used for the acquisition or construction of major capital facilities and equipment.

**Fiduciary Funds:**

The **Foundation Trust Fund** is used to account for assets held by the District as trustee.

**Student Body Funds** are **Agency Funds** used to account for assets of others for which the District has an agency relationship with the activity of the fund.

**F. BASIS OF ACCOUNTING**

**Accrual**

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**G. BUDGETS AND BUDGETARY ACCOUNTING**

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

**H. RECEIVABLES**

Receivables are made up principally of amounts due from the state of California for Local Control Funding Formula (LCFF) funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2019.

# **VACAVILLE UNIFIED SCHOOL DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **I. STORES INVENTORY**

Inventory in the General and Cafeteria Funds consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

### **J. 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 at June 30.

### **K. REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

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 fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

### **L. UNEARNED REVENUE**

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

## VACAVILLE UNIFIED SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### M. 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 have 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 entity-wide statements.

#### N. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

*Nonspendable Fund Balance* reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

*Restricted Fund Balance* reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

*Committed Fund Balance* reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Trustees. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

*Assigned Fund Balance* reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Trustees is authorized to assign amounts for specific purposes.

*Unassigned Fund Balance* represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

#### O. CASH AND CASH EQUIVALENTS

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

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**P. PREPAID EXPENDITURES**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. 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 expenditures when paid.

**Q. CAPITAL ASSETS AND DEPRECIATION**

Capital assets purchased or acquired, with an original cost of \$15,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred. Capital assets are depreciated using the straight-line method over 4-30 years depending on asset types.

**R. INTERFUND BALANCES**

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

**S. COMPENSATED ABSENCES**

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**T. ACCUMULATED SICK LEAVE**

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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.

**U. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**V. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAXES**

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Solano bills and collects taxes for the District. Tax revenues are recognized by the District when received.

**W. CUSTODIAL RELATIONSHIPS**

The balance sheet for agency funds represents the assets, liabilities and trust accounts of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

**X. ESTIMATES**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

**Y. PENSIONS**

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

**Z. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**2. CASH AND CASH EQUIVALENTS**

Cash at June 30, 2019 consisted of the following:

	Governmental Activities	Fiduciary Activities	Total
Pooled Funds:			
Cash in county treasury	\$ 104,488,810	\$ 299,018	\$ 104,787,828
Deposits:			
Cash in revolving fund	53,813	-	53,813
Cash on hand and in banks	6,000	647,251	653,251
Cash with Fiscal Agent	9,341,117	-	9,341,117
Total Cash and Investments	<u>\$ 113,889,740</u>	<u>\$ 946,269</u>	<u>\$ 114,836,009</u>

**A. Policies and Practices**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Solano County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Solano County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the Solano County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**B. Cash in County Treasury**

Cash in Solano County Treasury consist of cash deposited in the interest-bearing Solano Treasurer's Pooled Surplus Investment Fund. Investments are recorded at cost, which approximates fair value. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The District's deposits in the Fund are considered to be highly liquid.

The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 517 days. The pool is rated AAA by Standard and Poor's.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**B. Cash in County Treasury (Continued)**

As permitted under applicable state laws, the Solano County Treasurer may invest in derivative securities. However, at June 30, 2019, the Solano County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

**C. Cash in Revolving Funds and in Banks**

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

*Interest Rate Risk.* The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2019, the District had no significant interest rate risk related to cash and investments held.

**D. Cash with Fiscal Agent**

Cash with Fiscal Agent represents funds held by third parties restricted for the repayment of General Obligation Bonds and Certificates of Participation.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**3. INTERFUND TRANSACTIONS**

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

As of June 30, 2019, the interfund receivable and payable balances were as follows:

	<u>Due To</u>	<u>Due From</u>
Major Funds		
General Fund	\$ 2,120,669	\$ 1,529,082
Charter School	493,632	1,994,896
Building	549,773	84,878
Capital Facilities	84,878	-
Nonmajor Funds		
Adult Education	-	35,759
Child Development	3,953	6,349
County School Facilities	-	475,156
Special Reserve Fund for Capital Outlay Projects	956,163	-
Cafeteria	-	82,948
Total	<u>\$ 4,209,068</u>	<u>\$ 4,209,068</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

The interfund transfers for the year ended June 30, 2019 were as follows:

Transfer from the County School Facilities Fund to the Building Fund for the transfer of completed construction projects.	<u>\$ 474,438</u>
Total Transfers	<u>\$ 474,438</u>

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 is shown below:

	Balance July 1, 2018	Additions and Transfers	Deductions and Transfers	Balance June 30, 2019
Non-depreciable assets:				
Land	\$ 5,969,271	\$ -	\$ -	\$ 5,969,271
Work-in-process	45,888,291	18,457,352	(50,830,783)	13,514,860
	<u>51,857,562</u>	<u>18,457,352</u>	<u>(50,830,783)</u>	<u>19,484,131</u>
Depreciable:				
Improvement of sites	36,338,569	32,346,259	-	68,684,828
Buildings	228,577,423	30,429,736	(9,373,138)	249,634,021
Equipment	5,874,427	621,347	-	6,495,774
	<u>270,790,419</u>	<u>63,397,342</u>	<u>(9,373,138)</u>	<u>324,814,623</u>
Totals, at cost	<u>322,647,981</u>	<u>81,854,694</u>	<u>(60,203,921)</u>	<u>344,298,754</u>
Less accumulated depreciation:				
Improvement of sites	(13,149,651)	(1,201,260)	-	(14,350,911)
Buildings	(80,081,192)	(188,481)	-	(80,269,673)
Equipment	(4,684,957)	(1,449,820)	2,644,835	(3,489,942)
	<u>(97,915,800)</u>	<u>(2,839,561)</u>	<u>2,644,835</u>	<u>(98,110,526)</u>
Governmental activities capital assets, net	<u>\$ 224,732,181</u>	<u>\$ 79,015,133</u>	<u>\$ (57,559,086)</u>	<u>\$ 246,188,228</u>

The entire amount of depreciation expense was unallocated on the Statement of Activities.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**5. LONG-TERM LIABILITIES**

General Obligation Bonds

In 2014, the District issued General Obligation Refunding Bonds in the amount of \$22,950,000 for the purpose of refunding portions of 2005 General Obligations Bonds and 2005 Refunding General Obligation Bonds. The current interest and yield vary, ranging from 3.0% to 5.0%. The bonds are scheduled to mature through August 2030.

In 2015, the District issued General Obligation Refunding Bonds, Series B in the amount of \$33,910,000 for the purpose of refunding the Series 2007 General Obligation Bonds. The current interest and yield vary, ranging from 2.0% to 5.0%. The bonds are scheduled to mature through August 2032.

In 2015, the District issued General Obligation Refunding Bonds, Series C in the amount of \$20,370,000 for the purpose of refunding the remaining portions of 2005 General Obligations Bonds and 2005 Refunding General Obligation Bonds. The current interest and yield vary, ranging from 3.0% to 5.0%. The bonds are scheduled to mature through August 2030.

In 2015, the District issued 2014 General Obligation Bonds, Series A in the amount of \$40,000,000 for the purpose of upgrading and repairing school facilities. The current interest and yield vary, ranging from 3.0% to 5.0%. The bonds are scheduled to mature through August 2040.

In 2017, the District issued 2014 General Obligation Bonds, Series B in the amount of \$38,000,000 for the purpose of upgrading and repairing school facilities. The current interest and yield vary, ranging from 3.0% to 5.0%. The bonds are scheduled to mature through August 2042.

In 2019, the District issued 2014 General Obligation Bonds, Series C in the amount of \$45,000,000 for the purpose of upgrading and repairing school facilities. The current interest and yield vary, ranging from 4.0% to 5.0%. The bonds are scheduled to mature through August 2044.

The District's outstanding general obligation refunding bonded debt as of June 30, 2019 is as follows:

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2018</b>	<b>Issued/ Accretion</b>	<b>Redeemed</b>	<b>Balance June 30, 2019</b>
5/20/2014	8/1/2030	3.0%-5.0%	\$ 22,950,000	\$ 20,655,000	\$ -	\$ 1,315,000	\$ 19,340,000
1/6/2015	8/1/2032	2.0%-5.0%	33,910,000	33,230,000	-	-	33,230,000
5/5/2015	8/1/2030	2.0%-5.0%	20,370,000	18,130,000	-	1,135,000	16,995,000
8/13/2015	8/1/2040	3.0%-5.0%	40,000,000	30,400,000	-	5,080,000	25,320,000
8/13/2016	8/1/2043	3.125%-5.0%	38,000,000	38,000,000	-	-	38,000,000
1/29/2019	8/1/2044	4.0%-5.0%	45,000,000	-	45,000,000	-	45,000,000
			<u>\$ 200,230,000</u>	<u>\$ 140,415,000</u>	<u>\$ 45,000,000</u>	<u>\$ 7,530,000</u>	<u>\$ 177,885,000</u>

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**5. LONG-TERM LIABILITIES (CONTINUED)**

The annual requirements to amortize the refunding bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ending June 30	Principal	Interest to Maturity	Total
2020	\$ 7,090,000	\$ 7,726,385	\$ 14,816,385
2021	8,050,000	7,381,963	15,431,963
2022	7,105,000	7,042,813	14,147,813
2023	5,780,000	6,751,013	12,531,013
2024	5,250,000	6,493,311	11,743,311
2025-2029	29,630,000	28,480,437	58,110,437
2030-2034	45,265,000	19,301,318	64,566,318
2035-2039	27,650,000	11,756,019	39,406,019
2040-2044	36,045,000	4,941,031	40,986,031
2045-2049	6,020,000	120,400	6,140,400
Total	<u>\$ 177,885,000</u>	<u>\$ 99,994,690</u>	<u>\$ 277,879,690</u>

Payment of the general obligation bonds will be made by the Bond Interest and Redemption Fund. The Bond Interest and Redemption Fund receives property tax revenues which are used solely to repay the principal and interest due on these obligations.

Certificates of Participation

In 2015, the District issued Certificates of Participation in the aggregate principal amount of \$15,890,000 for the purpose of repaying all or a portion of the 2008 Certificates of Participation, fund a reserve fund surety for the Certificates, and pay costs of delivery of the Certificates. The 2015 Certificates of Participation mature through December 2036, and have interest rates ranging from 3.0% to 5.0%.

The following is a schedule of the future payments for the 2015 Certificates of Participation as of June 30, 2019:

Year Ending June 30	Principal	Interest	Total
2020	\$ -	\$ 679,317	\$ 679,317
2021	55,000	678,494	733,494
2022	125,000	675,794	800,794
2023	205,000	670,844	875,844
2024	290,000	661,969	951,969
2025-2029	2,930,000	3,009,041	5,939,041
2030-2034	6,010,000	2,114,594	8,124,594
2035-2039	6,275,000	422,500	6,697,500
Total	<u>15,890,000</u>	<u>8,912,553</u>	<u>24,802,553</u>

Payments of Certificates of Participation are made from the Special Reserve for Capital Outlay Projects Fund.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**5. LONG-TERM LIABILITIES (CONTINUED)**

**Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance			Balance	Amounts
	June 30, 2018	Additions	Deductions	June 30, 2019	Due Within
					One Year
General Obligation Bond	\$ 140,415,000	\$ 45,000,000	\$ 7,530,000	\$ 177,885,000	\$ 7,090,000
Certificates of Participation	15,890,000	-	-	15,890,000	-
Net pension liability (Note 6)	127,612,744	6,035,295	-	133,648,039	-
Net OPEB liability (Note 7)	26,127,626	-	219,141	25,908,485	3,111,210
Compensated absences	697,826	45,973	-	743,799	-
Total long term obligation	<u>\$ 310,743,196</u>	<u>\$ 51,081,268</u>	<u>\$ 7,749,141</u>	<u>\$ 354,075,323</u>	<u>\$ 10,201,210</u>

Payments on the compensated absences, pensions and other postemployment benefits are made from the fund for which the related employee worked.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**6. EMPLOYEE RETIREMENT SYSTEMS**

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 State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**Plan Description**

**California Public Employees' Retirement System (CalPERS)**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Headquarters, 400 Q Street, Sacramento, California 95811.

**State Teachers' Retirement System (STRS)**

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Headquarters, 100 Waterfront Place, West Sacramento, California 95605.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<b>CalPERS</b>		<b>CalSTRS</b>	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	6.5%	10.25%	9.205%
Required employer contribution rates	18.062%	18.062%	16.28%	16.28%



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Contributions

**CalPERS**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**STRS**

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2019 the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for the Plan were:

	<b>CalPERS</b>	<b>STRS</b>	<b>Total</b>
Contributions - employer	\$ 3,695,808	\$ 8,920,486	\$ 12,616,294
On behalf contributions - state	1,367,571	8,517,425	9,884,996
Total	<u>\$ 5,063,379</u>	<u>\$ 17,437,911</u>	<u>\$ 22,501,290</u>

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

As of June 30, 2019, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<b>Proportionate Share of Net Pension Liability</b>
CalPERS	\$ 40,337,727
STRS	93,310,312
Total Net Pension Liability	<u>\$ 133,648,039</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

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

	<u>CalPERS</u>	<u>STRS</u>
Proportion - June 30, 2017	0.14725%	0.09998%
Proportion - June 30, 2018	0.15129%	0.10153%
Change - Increase (Decrease)	<u>0.00403%</u>	<u>0.00155%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$24,484,319. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalPERS</u>		<u>STRS</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,063,379	\$ -	\$ 17,437,911	\$ -	\$ 22,501,290	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2017-18	-	827,481	-	3,311,736	-	4,139,217
Changes of Assumptions	5,587,996	404,934	24,660,302	-	30,248,298	404,934
Differences between Expected and Actual Experience	2,896,427	-	492,247	3,915,680	3,388,674	3,915,680
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	1,291,110	774,835	6,160,824	774,835	7,451,934
Net differences between projected and actual investment earnings on pension plan investments	2,630,713	-	-	2,850,755	2,630,713	2,850,755
Total	<u>\$ 16,178,515</u>	<u>\$ 2,523,525</u>	<u>\$ 43,365,295</u>	<u>\$ 16,238,995</u>	<u>\$ 59,543,810</u>	<u>\$ 18,762,520</u>

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>CalPERS</u>	<u>STRS</u>	<u>Total Deferred Outflows/ (Inflows) of Resources</u>
2020	\$ 3,184,563	\$ (269,818)	\$ 2,914,745
2021	3,734,856	805,834	4,540,690
2022	1,606,020	1,640,507	3,246,527
2023	66,172	2,250,129	2,316,301
2024	-	3,685,376	3,685,376
Thereafter	-	1,576,361	1,576,361
Total	<u>\$ 8,591,611</u>	<u>\$ 9,688,389</u>	<u>\$ 18,280,000</u>

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Actuarial Assumptions

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

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the 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 our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

**Discount Rate**

**CalPERS**

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

Asset Class	CalPERS		
	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

<sup>(a)</sup> An expected inflation of 2.00% used for this period

<sup>(b)</sup> An expected inflation of 2.92% used for this period

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Discount Rate

**STRS**

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, the consulting actuary (Milliman) reviews the return assumptions for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class are summarized in the following table.

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return <sup>(a)</sup>
Global Equity	47.0%	6.30%
Fixed Income	12.0%	0.30%
Real Estate	13.0%	5.20%
Private Equity	13.0%	9.30%
Risk Mitigating Strategies	9.0%	2.90%
Inflation Sensitive	4.0%	3.80%
Cash/Liquidity	2.0%	-1.00%
Total	100%	

<sup>(a)</sup> 20-year average

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

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

The following presents the District's proportionate share of the net pension liability 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:

<b>CalPERS</b>			
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 57,164,018	\$ 40,337,727	\$ 24,410,246

<b>STRS</b>			
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability	\$ 134,603,245	\$ 93,310,312	\$ 56,470,517

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2019, the District had no outstanding required contributions to the pension plans.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**7. OTHER POSTEMPLOYMENT BENEFITS**

*Plan description.* The Plan is an agent OPEB plan administered by CalPERS. The District provides postemployment health care benefits, through the California Employers' Retiree Benefit Trust (CERBT-OPEB), to employees who are at least age 50 and have at least 18 years of service and obtain medical insurance coverage in a District plan. For none of the 18 years of service, the employee must have been qualified for benefits. The health care benefit is payable until the earlier of the death of the retiree or 7 years following the date of commencement.

Employees covered by benefit terms. At July 1, 2017, the following employees were covered by the benefit terms:

Actives	1083
Retirees	418
Beneficiaries	-
Spouces of Retirees	19
	<u>1,520</u>

*Contributions.* Contributions are not mandatory and instead are calculated by the District. The allocation strategy is determined by the District and the actuary report is used to determine the contribution amount.

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017

Actuarial assumptions: The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the actuarial assumptions shown on the following page, applied to all periods included in the measurement, unless otherwise specified.

<b>Valuation Date</b>	July 1, 2017
<b>Measurement Date</b>	June 30, 2019
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level percent, closed periods
<b>Amortization Period</b>	24 years (at July 1, 2017)
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	2.75%
<b>Discount rate</b>	6.75%
<b>Long-term expected rate of return, net of investment expenses</b>	6.75%
<b>Municipal bond rate</b>	N/A
<b>Healthcare cost trend rates</b>	Pre65: 1.50% to 4.25% over 56 years Post65: 1.00% to 4.50% over 56 years

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
Global Equity	MSCI ACWI NR	59%	4.98%	3.62%
US Long Bonds	Barclays LT Gvt/Credit	25%	3.38%	2.88%
US Inflation-Indexed Bonds	Barclays US TIPS	5%	1.42%	1.29%
Global REITs	FTSE EPRA/NAREIT Developed	8%	5.59%	3.57%
Commodities	Dow Jones UBS	3%	3.07%	1.42%
Total		<u>100%</u>		
Assumed Inflation - Mean			2.75%	2.75%
Assumed Inflation - Standard Deviation			1.85%	1.85%
Portfolio Real Mean Return			4.39%	3.69%
Portfolio Nominal Mean Return			7.14%	6.54%
Portfolio Standard Deviation				1.31%
<b>Long-Term Expected Rate of Return</b>				<b>6.75%</b>

*Discount rate.* The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from school districts and county offices will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Changes in the Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2018	\$ 33,603,814	\$ 7,476,188	\$ 26,127,626
Changes for the year:			
Service cost	1,121,539	-	1,121,539
Interest on total OPEB liability	2,285,194	-	2,285,194
Differences between expected and actual experience	-	-	-
Contributions - employer	-	3,158,420	(3,158,420)
Net investment income	-	471,131	(471,131)
Benefit payments	(1,770,136)	(1,770,136)	-
Administrative expenses	-	(3,677)	3,677
Net changes	1,636,597	1,855,738	(219,141)
Balances at June 30, 2019	<u>\$ 35,240,411</u>	<u>\$ 9,331,926</u>	<u>\$ 25,908,485</u>

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current discount rate:

	<b>1% Decrease (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Net OPEB liability (asset)	\$ 29,471,710	\$ 25,908,485	\$ 22,850,526

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Net OPEB liability (asset)	\$ 21,693,835	\$ 25,908,485	\$ 30,970,196

*OPEB plan fiduciary net position.* The plan's net position as of June 30, 2019 was \$9,331,926. The Plan is separately reported by CERBT.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$197,537. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	40,667
Total	<u>\$ -</u>	<u>\$ 40,667</u>

The District will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

<b>Year ended June 30</b>	<b>Total Deferred Outflows/(Inflows) of Resources</b>
2020	\$ 11,358
2021	11,358
2022	11,357
2023	6,594
2024	-
Thereafter	-
Total	<u>\$ 40,667</u>

**Payable to the OPEB Plan**

At June 30, 2019, the District had no outstanding amount of contributions to the Plan required for the year ended June 30, 2019.

# VACAVILLE UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### 8. FUND BALANCE

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
<b>Nonspendable:</b>							
Revolving cash fund	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 3,812	\$ 53,812
Stores inventory	12,806	-	-	-	-	-	12,806
Prepaid expenditures	97,396	10,596	-	-	-	1,162	109,154
Subtotal nonspendable	160,202	10,596	-	-	-	4,974	175,772
<b>Restricted for:</b>							
Adult Education Block Grant Program	-	-	-	-	-	548,669	548,669
Debt service	-	-	-	-	14,720,930	-	14,720,930
Child nutrition: school programs	-	-	-	-	-	358,755	358,755
Measure A bond projects	-	-	41,700,286	-	-	-	41,700,286
Medi-Cal billing option	522,835	-	-	-	-	-	522,835
Lottery: instructional materials	517,991	246,544	-	-	-	-	764,535
Special Education	60,863	-	-	-	-	-	60,863
Special Ed: Mental Health Services	783,683	-	-	-	-	-	783,683
Low-Performing Students Block Grant	948,492	80,900	-	-	-	-	1,029,392
Classified School Employee Professional Development Block Grant	74,103	4,975	-	-	-	-	79,078
Other restricted local	453,444	131,234	-	1,079,146	-	-	1,663,824
Total Restricted	3,361,411	463,653	41,700,286	1,079,146	14,720,930	907,424	62,232,850
<b>Assigned to:</b>							
Other assignments	14,096,843	2,877,952	-	13,246,512	-	1,900,835	32,122,142
Subtotal assigned	14,096,843	2,877,952	-	13,246,512	-	1,900,835	32,122,142
<b>Unassigned:</b>							
Designated for economic uncertainty	3,776,531	-	-	-	-	-	3,776,531
Undesignated	10,769,053	-	-	-	-	-	10,769,053
Subtotal unassigned	14,545,584	-	-	-	-	-	14,545,584
Total Fund Balances	\$ 32,164,040	\$ 3,352,201	\$41,700,286	\$ 14,325,658	\$ 14,720,930	\$ 2,813,233	\$109,076,348

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**9. JOINT VENTURES**

The District is a member with other school districts in a Joint Powers Authority, North Bay Schools Insurance Authority, for the operation of a common risk management and insurance program for property and liability coverage. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years. The following is a summary of financial information for North Bay Schools Insurance Authority:

	<u>NBSIA</u> <u>6/30/2018*</u>
Total Assets	<u>\$ 69,002,947</u>
Deferred Outflows of Resources	<u>757,440</u>
Total Liabilities	<u>34,191,002</u>
Deferred Inflows of Resources	<u>131,003</u>
Net Position	<u>\$ 35,438,382</u>
Revenues	\$ 28,791,356
Expenditures	<u>28,310,800</u>
Change in Net Position	<u>\$ 480,556</u>

\*Most Recent Available

The relationship between Vacaville Unified School District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

**10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District incurred unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

Excess of expenditures over appropriations for the year ended June 30, 2019 were as follows:

	<u><b>Excess</b></u> <u><b>Expenditures</b></u>
General Fund:	
Employee Benefits	\$ 4,381,565
Charter School Fund	
Employee Benefits	\$ 380,260

The excess is not in accordance with Education Code 42600. The excess expenditures are primarily due to the recognition of the STRS on-behalf payments not included in the budget.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**11. COMMITMENT AND CONTINGENCIES**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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

**12. SUBSEQUENT EVENTS**

The District's management evaluated its June 30, 2019 financial statements for subsequent events through December 6, 2019, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**VACAVILLE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Budget</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
LCFF sources	\$ 100,346,010	\$ 101,467,922	\$ 101,408,672	\$ (59,250)
Federal revenue	4,377,879	5,127,654	4,349,370	(778,284)
Other state revenues	9,854,806	12,209,133	17,272,434	5,063,301
Other local revenues	4,629,758	6,111,220	8,779,504	2,668,284
Total revenues	119,208,453	124,915,929	131,809,980	6,894,051
<b>EXPENDITURES</b>				
Certificated salaries	51,202,419	51,487,495	51,300,929	186,566
Classified salaries	20,366,957	20,418,914	20,056,038	362,876
Employee benefits	30,499,601	31,585,114	35,966,679	(4,381,565)
Books and supplies	3,454,124	4,972,061	3,141,853	1,830,208
Services and other operating expenditures	12,278,040	15,327,158	13,577,229	1,749,929
Capital outlay	691,153	1,481,207	1,423,554	57,653
Other outgo	2,221,111	418,755	423,212	(4,457)
Total expenditures	120,713,405	125,690,704	125,889,494	(198,790)
Excess (deficiency) of revenues over expenditures	(1,504,952)	(774,775)	5,920,486	6,695,261
Net change in fund balances	(1,504,952)	(774,775)	5,920,486	6,695,261
Fund balances, July 1, 2018	26,243,554	26,243,554	26,243,554	-
Fund balances, June 30, 2019	\$ 24,738,602	\$ 25,468,779	\$ 32,164,040	\$ 6,695,261

**VACAVILLE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**CHARTER SCHOOL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Budget</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
LCFF sources	\$ 11,586,227	\$ 11,184,610	\$ 11,618,393	\$ 433,783
Federal revenue	275,630	275,630	241,462	(34,168)
Other state revenues	958,586	992,126	1,522,412	530,286
Other local revenues	51,540	69,705	99,191	29,486
Total revenues	12,871,983	12,522,071	13,481,458	959,387
<b>EXPENDITURES</b>				
Certificated salaries	5,180,051	5,549,675	5,478,441	71,234
Classified salaries	1,008,555	969,983	938,980	31,003
Employee benefits	2,528,757	2,719,812	3,100,072	(380,260)
Books and supplies	647,549	535,079	203,478	331,601
Services and other operating expenditures	2,870,867	2,812,325	2,528,191	284,134
Capital outlay	278,882	237,012	234,746	2,266
Total expenditures	12,514,661	12,823,886	12,483,908	339,978
Excess (deficiency) of revenues over expenditures	357,322	(301,815)	997,550	1,299,365
Net change in fund balances	357,322	(301,815)	997,550	1,299,365
Fund balances, July 1, 2018	26,198,136	26,198,136	2,354,651	23,843,485
Fund balances, June 30, 2019	<u>\$ 26,555,458</u>	<u>\$ 25,896,321</u>	<u>\$ 3,352,201</u>	<u>\$ (22,544,120)</u>



# VACAVILLE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE NET OPEB LIABILITIES AND RELATED RATIOS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>2019*</u>	<u>2018*</u>
<b>Total OPEB liability</b>		
Service cost	\$ 1,121,539	\$ 1,050,622
Interest	2,285,194	2,181,011
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(1,770,136)	(1,748,377)
<b>Net change in total OPEB liability</b>	<u>1,636,597</u>	<u>1,483,256</u>
<b>Total OPEB liability - beginning</b>	<u>33,603,814</u>	<u>32,120,558</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 35,240,411</u>	<u>\$ 33,603,814</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 3,158,420	\$ 4,115,345
Net investment income	471,131	374,355
Benefit payments, including refunds of member contributions	(1,770,136)	(1,748,377)
Administrative expense	(3,677)	-
<b>Net change in plan fiduciary net position</b>	<u>1,855,738</u>	<u>2,741,323</u>
<b>Plan fiduciary net position - beginning</b>	<u>7,476,188</u>	<u>4,734,865</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 9,331,926</u>	<u>\$ 7,476,188</u>
<b>District's net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 25,908,485</u></u>	<u><u>\$ 26,127,626</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 26.5%	 22.2%
Covered payroll	\$ 67,553,691	\$ 56,426,572
District's net OPEB liability as a percentage of covered payroll	38.4%	46.3%

\* Only two years are presented as GASB 75 was implemented in 2017-18.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	<u>2019*</u>	<u>2018*</u>
Actuarially determined contribution	\$ 3,027,940	\$ 2,946,901
Contributions in relation to the actuarially required contribution	<u>\$ (3,158,420)</u>	<u>\$ (4,115,345)</u>
Contribution deficiency (excess)	<u>\$ (130,480)</u>	<u>\$ (1,168,444)</u>
Covered payroll	\$67,553,691	\$56,426,572
Contributions as a percentage of covered payroll	4.68%	7.29%

**\* Only two years are presented as GASB 75 was implemented in 2017-18.**

**VACAVILLE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>CalPERS</b>	<b>June 30, 2014 <sup>(1)</sup></b>	<b>June 30, 2015 <sup>(1)</sup></b>	<b>June 30, 2016 <sup>(1)</sup></b>	<b>June 30, 2017 <sup>(1)</sup></b>	<b>June 30, 2018 <sup>(1)</sup></b>
Proportion of the net pension liability (asset)	0.13144%	0.13478%	0.14459%	0.14725%	0.15129%
Proportionate share of the net pension liability (asset)	\$ 14,922,072	\$ 19,867,107	\$ 28,556,862	\$ 35,153,183	\$ 40,337,727
Covered payroll <sup>(2)</sup>	\$ 13,412,658	\$ 14,826,007	\$ 14,797,372	\$ 16,791,205	\$ 17,158,399
Proportionate Share of the net pension liability (asset) as percentage of covered payroll	111.25%	134.00%	192.99%	209.35%	235.09%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.38%	79.43%	73.90%	71.87%	70.85%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 1,578,804	\$ 1,756,437	\$ 2,055,059	\$ 2,607,842	\$ 3,099,150
<b>STRS</b>	<b>June 30, 2014 <sup>(1)</sup></b>	<b>June 30, 2015 <sup>(1)</sup></b>	<b>June 30, 2016 <sup>(1)</sup></b>	<b>June 30, 2017 <sup>(1)</sup></b>	<b>June 30, 2018 <sup>(1)</sup></b>
Proportion of the net pension liability (asset)	0.10007%	0.09800%	0.10019%	0.09998%	0.10153%
Proportionate share of the net pension liability (asset)	\$ 58,479,987	\$ 65,977,731	\$ 81,031,911	\$ 92,459,561	\$ 93,310,312
Covered payroll <sup>(2)</sup>	\$ 41,410,766	\$ 37,644,026	\$ 42,587,496	\$ 46,194,352	\$ 47,902,807
Proportionate Share of the net pension liability (asset) as percentage of covered payroll	141.22%	175.27%	190.27%	200.15%	194.79%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.52%	74.02%	70.04%	69.46%	70.99%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 3,677,276	\$ 4,039,204	\$ 5,357,507	\$ 6,665,845	\$ 7,798,577

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

<sup>(3)</sup> The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>CalPERS</b>	<b>Fiscal Year 2014-15 <sup>(1)</sup></b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 1,578,804	\$ 1,756,437	\$ 2,055,059	\$ 2,607,842	\$ 3,099,150
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(1,756,650)	(2,053,009)	(2,608,872)	(3,112,211)	(3,695,808)
Contribution deficiency (excess)	<u>\$ (177,846)</u>	<u>\$ (296,572)</u>	<u>\$ (553,813)</u>	<u>\$ (504,369)</u>	<u>\$ (596,658)</u>
Covered payroll <sup>(3)</sup>	\$ 13,412,658	\$ 14,826,007	\$ 14,797,372	\$ 16,791,205	\$ 17,158,399
Contributions as a percentage of covered payroll <sup>(3)</sup>	11.771%	11.847%	13.888%	15.531%	18.062%
<b>STRS</b>	<b>Fiscal Year 2014-15 <sup>(1)</sup></b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 3,677,276	\$ 4,039,204	\$ 5,357,507	\$ 6,665,845	\$ 7,798,577
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(4,138,203)	(5,289,513)	(6,726,463)	(7,926,264)	(8,920,486)
Contribution deficiency (excess)	<u>\$ (460,927)</u>	<u>\$ (1,250,309)</u>	<u>\$ (1,368,956)</u>	<u>\$ (1,260,419)</u>	<u>\$ (1,121,909)</u>
Covered payroll <sup>(3)</sup>	\$ 41,410,766	\$ 37,644,026	\$ 42,587,496	\$ 46,194,352	\$ 47,902,807
Contributions as a percentage of covered payroll <sup>(3)</sup>	8.880%	10.730%	12.580%	14.430%	16.280%

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

<sup>(3)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. PURPOSE OF SCHEDULES**

A - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and the Charter School Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of the Changes in the District's Net OPEB Liability and Related Ratios

*Benefit changes.* There were no changes to benefits.

*Changes of assumptions.* There were no changes to assumptions.

Fiscal year 2018 was the first year of implementation, therefore only two years are shown.

C - Schedule of OPEB Contributions

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year ended June 30, 2019 were from the July 1, 2017 valuation

<b>Valuation Timing</b>	Actuarial valuations for funding purposes are performed biennially as of July 1. The most recent valuation was performed as of July 1, 2017.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	
Amortization Method	Level percent
Closed, open, or layered periods	Closed
Amortization period at July 1, 2017	24 years
Amortization growth rate	2.75%
<b>Asset Valuation Method</b>	Market Value
Smoothing period	N/A
Recognition method	N/A
Corridor	N/A
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	2.75% per annum, in aggregate
<b>Discount rate</b>	6.75%
<b>Healthcare cost trend rates</b>	Pre65: 1.50% to 4.25% over 56 years Post65: 1.00% to 4.50% over 56 years

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. PURPOSE OF SCHEDULES (CONTINUED)**

**D - Schedule of Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Assumptions*

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. There were no changes in the assumptions used in the calculation of the STRS collective net pension liability.

*Changes in Benefit Terms*

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

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

**E - Schedule of Pension Contributions**

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

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

	<u><b>CalPERS</b></u>	<u><b>STRS</b></u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

## **SUPPLEMENTARY INFORMATION**

VACAVILLE UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Special Revenue Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 578,396	\$ 1,861	\$ 95,744	\$ 475,156	\$ 924,348	\$ 2,075,505
Accounts receivable	72,954	732	451,188	-	-	524,874
Prepaid Expenses	-	-	1,162	-	-	1,162
Due from other funds	-	3,953	-	-	956,163	960,116
Total assets	<u>\$ 651,350</u>	<u>\$ 6,546</u>	<u>\$ 548,094</u>	<u>\$ 475,156</u>	<u>\$ 1,880,511</u>	<u>\$ 3,561,657</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 46,598	\$ -	\$ 101,417	\$ -	\$ -	\$ 148,015
Due to other funds	35,759	6,349	82,948	475,156	-	600,212
Unearned revenue	-	197	-	-	-	197
Total liabilities	<u>82,357</u>	<u>6,546</u>	<u>184,365</u>	<u>475,156</u>	<u>-</u>	<u>741,878</u>
Fund balances						
Nonspendable	-	-	4,974	-	-	4,974
Restricted	548,669	-	358,755	-	-	907,424
Commitments	-	-	-	-	1,880,511	1,880,511
Assigned	20,324	-	-	-	-	20,324
Total fund balances	<u>568,993</u>	<u>-</u>	<u>363,729</u>	<u>-</u>	<u>1,880,511</u>	<u>2,813,233</u>
Total liabilities and fund balances	<u>\$ 651,350</u>	<u>\$ 6,546</u>	<u>\$ 548,094</u>	<u>\$ 475,156</u>	<u>\$ 1,880,511</u>	<u>\$ 3,561,657</u>



VACAVILLE UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

ALL NON-MAJOR FUNDS

JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Special Revenue Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total
<b>REVENUES</b>						
Federal revenue	\$ 52,822	\$ -	\$ 2,889,373	\$ -	\$ -	\$ 2,942,195
Other state revenues	587,629	28,407	425,636	474,438	-	1,516,110
Other local revenues	17,576	91	1,186,117	-	981,400	2,185,184
Total revenues	658,027	28,498	4,501,126	474,438	981,400	6,643,489
<b>EXPENDITURES</b>						
Certificated salaries	280,085	-	-	-	-	280,085
Classified salaries	246,769	-	1,487,127	-	-	1,733,896
Employee benefits	217,309	-	759,324	-	-	976,633
Books and supplies	34,645	26,665	2,085,436	-	-	2,146,746
Services and other operating expenditures	168,175	484	59,554	-	1,500	229,713
Other outgo	35,759	1,349	82,948	-	-	120,056
Debt service expenditures	-	-	-	-	679,317	679,317
Total expenditures	982,742	28,498	4,474,389	-	680,817	6,166,446
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers out	-	-	-	(474,438)	-	(474,438)
Total other financing sources (uses)	-	-	-	(474,438)	-	(474,438)
Net change in fund balances	(324,715)	-	26,737	-	300,583	2,605
Beginning Balance, July 1, 2018	893,708	-	336,992	-	1,579,928	2,810,628
Fund balances, June 30, 2019	\$ 568,993	\$ -	\$ 363,729	\$ -	\$ 1,880,511	\$ 2,813,233

**VACAVILLE UNIFIED SCHOOL DISTRICT**

**COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES**

**ALL AGENCY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<b>Assets:</b>				
Alamo	\$ 41,635	\$ 67,900	\$ 64,627	\$ 44,908
Buckingham	107,670	115,553	121,635	101,588
Cooper	2,414	1,256	2,454	1,216
Eugene Padan	20,854	8,449	10,127	19,176
Farimont	-	23,392	14,622	8,770
Hemlock	6,291	29,874	27,607	8,558
Jean Callson	9,580	12,165	10,067	11,678
Kimme	-	5,831	260	5,571
Sierra Vista	13,625	34,040	30,037	17,628
Markham	28,745	114,851	122,143	21,453
Vaca Pena	7,489	55,009	41,276	21,222
Willis Jepson	20,512	58,773	54,090	25,195
Country High	306		306	-
Vacaville High	50,302	626,932	554,111	123,123
Will C Wood	213,574	612,866	589,275	237,165
Cash on hand and in banks	\$ 522,997	\$ 1,766,891	\$ 1,642,637	\$ 647,251
 Vacaville High	 184,865	 2,142	 7,504	 179,503
Will C Wood	85,516	1,787	3,574	83,729
Cash in county treasury	270,381	3,929	11,078	263,232
 Total Assets	 \$ 793,378	 \$ 1,770,820	 \$ 1,653,715	 \$ 910,483
<b>Liabilities:</b>				
Due to Student Groups	793,378	1,770,820	1,653,715	910,483
 Total Liabilities	 \$ 793,378	 \$ 1,770,820	 \$ 1,653,715	 \$ 910,483

# VACAVILLE UNIFIED SCHOOL DISTRICT

## ORGANIZATION

**JUNE 30, 2019**

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Vacaville Unified School District was established in 1966. The District is in Vacaville, California. There was no change in District boundaries during the year. The District operates eight elementary schools, two middle school, two high schools, one continuation high school and three charter schools. In addition, the District operates an adult school program.

### GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Sherie Mahlberg	President	2020
John Jansen	Vice President	2022
Tracee Stacy	Clerk	2020
Michael Kitzes	Member	2020
Michele (Shelley) Dally	Member	2022
Shawn Windham	Member	2022
Michael Silva	Member	2022

### ADMINISTRATION

Jane Shamieh  
District Superintendent  
Secretary to the Board of Education

Jennifer Stahlheber  
Associate Superintendent  
Business and Administrative Services

Sasha Begell  
Assistant Superintendent  
Educational Options & Supports

Ed Santopadre  
Assistant Superintendent  
Educational Services

Chris Hulett  
Assistant Superintendent  
Human Resources

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b><u>District</u></b>	<b><u>Second Period Report</u></b>	<b><u>Revised Second Period Report*</u></b>	<b><u>Annual Report</u></b>
Elementary			
Transitional Kindergarten through Third	3,092	3,085	3,081
Fourth through Sixth	2,449	2,442	2,443
Seventh to Eighth	1,803	1,803	1,795
Special Education	14	14	14
Extended Year	13	13	14
Total Elementary	7,371	7,357	7,347
Secondary			
Ninth through Twelve	3,549	3,557	3,525
Special Education	8	8	7
Extended Year	4	4	4
Total Secondary	3,561	3,569	3,536
Total District	10,932	10,926	10,883
<b><u>Fairmont Elementary Charter School - Classroom Based</u></b>			
Elementary			
Transitional Kindergarten through Third	336	337	336
Fourth through Sixth	211	211	210
Total Elementary	547	548	546
<b><u>Buckingham Charter Magnet High School - Classroom Based</u></b>			
Secondary			
Ninth through Twelve	481	480	478
<b><u>Ernest Kimmie Charter Academy - Independent Study</u></b>			
Elementary			
Transitional Kindergarten through Third	8	8	8
Fourth through Sixth	8	8	8
Total Elementary	16	16	16
Secondary			
Seventh through Eighth	21	21	21
Ninth through Twelfth	152	153	158
Total Secondary	173	174	179
Total School	189	190	195

\* The revisions to the Second Period of Attendance and Annual Attendance reports were not the result of the audit.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<u>Grade Level</u>	<u>Standard Minutes Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Instructional Days</u>	<u>Status</u>
<b><u>DISTRICT</u></b>				
Kindergarten	36,000	36,000	179*	In compliance
Grade 1	50,400	51,275	179*	In compliance
Grade 2	50,400	51,275	179*	In compliance
Grade 3	50,400	51,275	179*	In compliance
Grade 4	54,000	54,020	179*	In compliance
Grade 5	54,000	54,020	179*	In compliance
Grade 6	54,000	54,020	179*	In compliance
Grade 7	54,000	62,243	179*	In compliance
Grade 8	54,000	62,243	179*	In compliance
Grade 9	64,800	65,327	179*	In compliance
Grade 10	64,800	65,327	179*	In compliance
Grade 11	64,800	65,327	179*	In compliance
Grade 12	64,800	65,327	179*	In compliance

**CHARTER SCHOOLS**

**Fairmont Elementary Charter School - Classroom Based**

Kindergarten	36,000	42,405	179*	In compliance
Grade 1	50,400	52,725	179*	In compliance
Grade 2	50,400	52,725	179*	In compliance
Grade 3	50,400	52,725	179*	In compliance
Grade 4	54,000	54,120	179*	In compliance
Grade 5	54,000	54,120	179*	In compliance
Grade 6	54,000	54,120	179*	In compliance

**Buckingham Charter Magnet High School - Classroom Based**

Grade 9	64,800	65,031	179*	In compliance
Grade 10	64,800	65,031	179*	In compliance
Grade 11	64,800	65,031	179*	In compliance
Grade 12	64,800	65,031	179*	In compliance

\* The District received an approved emergency closure for one instructional day.

**VACAVILLE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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<b>Charter School ID Number</b>	<b>Charter Schools Chartered by the District</b>	<b>Included in the District Financial Statements or Separate Report</b>
D913	Fairmont Charter Elementary	Included
D056	Elise P. Buckingham Charter Magnet High	Included
1839	Ernest Kimme Charter Academy	Included
1635	Kairos Public School Vacaville Academy	Separately Reported

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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There were no other adjustments to the beginning fund balances.

There were no other adjustments to any other funds.

**VACAVILLE UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Federal CFDA Number</b>	<b>Grantor and Program Title</b>	<b>Pass- Through Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
	<b>Special Education Cluster:</b>		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611 (Formerly PL 94-142)	13379	* \$ 2,101,375
84.027	Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	10115	* 19,253
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	* 74,311
	<b>Subtotal Special Education Cluster</b>		<u>2,194,939</u>
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	1,692,296
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	248,403
84.365	NCLB (ESEA) : Title III, Limited English Proficient (LEP) Student Program	14346	116,375
84.365	NCLB (ESEA) : Title III, Immigrant Education Program	15146	16,835
84.424	ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	15396	5,880
84.002A	Adult Ed: Adult Basic Ed & ESL	14508	24,161
84.002	Adult Education: English Literacy & Civics Education	14750	2,261
84.002	Adult Ed: Adult Secondary Education	13978	26,400
	<b>Total U.S. Department of Education</b>		<u>4,327,550</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.553	Child Nutrition: School Programs (School Breakfast Basic)	13390	2,750,994
10.579	Child Nutrition: NSLP Equipment Assistance Grants	14906	4,981
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	133,398
	<b>Total Cash Assistance Subtotal</b>		<u>2,889,373</u>
10.553	School Lunch Program - Nonmonetary Assistance	13390	257,458
	<b>Total Non-Cash Assistance Subtotal</b>		<u>257,458</u>
	<b>Total U.S. Department of Agriculture</b>		<u>3,146,831</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through California Department of Education</i>			
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option	10013	316,104
	<b>Total U.S. Department of Health and Human Services</b>		<u>316,104</u>
<b>Total Federal Programs</b>			<u>\$ 7,790,485</u>

\* Tested as major program.



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Adopted Budget 2019/2020</b>	<b>Actuals 2018/2019</b>	<b>Actuals 2017/2018</b>	<b>Actuals 2016/2017</b>
<b><u>General Fund</u></b>				
Revenues and Other Financial Sources	\$ 124,459,557	\$ 131,809,980	\$ 116,137,044	\$ 114,768,227
Expenditures	125,175,961	125,889,494	118,236,213	106,094,613
Other Uses and Transfers Out	-	-	-	61,042
Total Outgo	125,175,961	125,889,494	118,236,213	106,155,655
Change in Fund Balance	(716,404)	5,920,486	(2,099,169)	8,612,572
Ending Fund Balance	\$ 31,447,636	\$ 32,164,040	\$ 26,243,554	\$ 28,342,723
Available Reserves *	\$ 18,189,623	\$ 16,869,576	\$ 16,640,003	\$ 19,874,061
Designated for Economic Uncertainties	\$ 3,772,996	\$ 3,776,531	\$ 3,546,958	\$ 8,559,648
Undesignated Fund Balance	\$ 14,416,627	\$ 13,093,045	\$ 13,093,045	\$ 11,314,413
Available Reserves as a Percentage of Total Outgo	14.5%	13.4%	14.1%	18.7%
<b><u>All Funds</u></b>				
Total Long-Term Debt	\$ 343,874,113	354,075,323	310,743,196	\$ 300,855,011
Actual Daily Attendance at P-2 (Exclusive of Adult ADA)	11,012	10,926	10,854	10,583

\*Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund

The general fund balance has increased by \$12,433,889 over the past three years. For a District this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo). The district has met this requirement.

The District has incurred operating surpluses in two of the last three years and anticipates incurring an operating deficit during the fiscal year 2019-2020.

Total long-term liabilities have increased by \$53,220,312 over the past two years due to increases in the net pension liability, issuance of new general obligation bonds and increases to the Net OPEB liability.

Average Daily Attendance (ADA) has increased by 343 over the past two years. The District anticipates an increase in ADA in 2019-20.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. Schedule of Average Daily Attendance**

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

**2. Schedule of Instructional Time**

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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206. Districts must maintain their instructional minutes in accordance with the State's standard requirement as required by Education Code Section 46201(b).

**3. Schedule of Charter Schools**

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

**4. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports to the audited financial statements.

**5. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. The August 2019 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The schedule on the following page provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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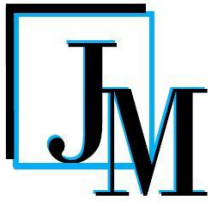
**5. Schedule of Expenditures of Federal Awards (Continued)**

	<b>Federal Catalog Number</b>	<b>Amount</b>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 7,533,027
Reconciling items		
Food Distribution - Commodities	10.553	<u>257,458</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 7,790,485</u>

**6. Schedule of Financial Trends and Analysis**

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

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

Board of Education  
Vacaville Unified School District  
Vacaville, California

**Report on Compliance for Each State Program**

We have audited the compliance of Vacaville Unified School District (the "District") with the types of compliance requirements described in the State of California's 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2019.

**Management's Responsibility**

Compliance with the requirements of state laws and regulations is the responsibility of District's management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit.

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 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed 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.

**Local Education Agencies Other Than Charter Schools**

<b>Description</b>	<b>Procedures Performed</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time for School Districts	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below

**School Districts, County Offices of Education and Charter Schools**

<b>Description</b>	<b>Procedures Performed</b>
California Clean Energy Jobs Act	Yes
After/Before Schools Education and Safety Program	
General requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Fund	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below

**Charter Schools**

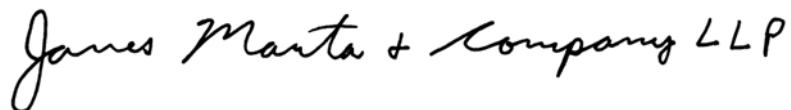
<b>Description</b>	<b>Procedures Performed</b>
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No, see below

We did not perform any procedures related to Early Retirement Incentive Program, Juvenile Court Schools, Before School requirements for the After/Before School Education and Safety, Independent Study-Course Based, District of Choice, Apprenticeship: Related and Supplemental Instruction or Charter School Facility Grant Program because the District did not offer these programs.

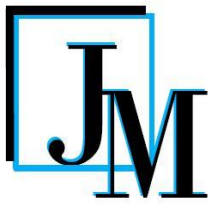
We did not perform any procedures related to Independent Study because the ADA generated was immaterial.

#### **Opinion on Compliance with State Laws and Regulations**

In our opinion, Vacaville Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2019.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 6, 2019



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Vacaville Unified School District  
Vacaville, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vacaville Unified School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies: **2019-01**.



## **Compliance and Other Matters**

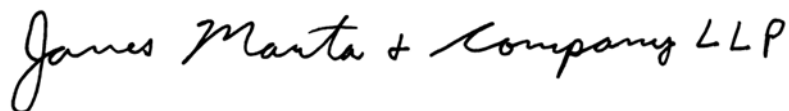
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

## **Vacaville Unified School District's Response to Findings**

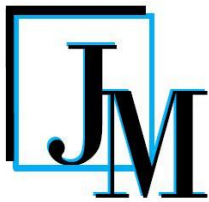
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
December 6, 2019



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Vacaville Unified School District  
Vacaville, California

**Report on Compliance for Each Major Federal Program**

We have audited the Vacaville Unified School District's (the "District") compliance with the types of compliance requirements described in the August 2019 Edition of the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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 the 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 the August 2019 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. 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 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 District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

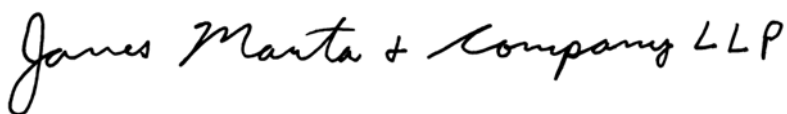
## Internal Control Over Compliance

Management of the 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 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 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 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 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 consider 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 6, 2019

## **FINDINGS AND RECOMMENDATIONS**

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section I – Summary of Auditor’s Results**

**Section I – Summary of Audit Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>  X  </u> Yes	<u>      </u> None reported

Noncompliance material to financial statements noted?

<u>      </u> Yes	<u>  X  </u> No
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**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> 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 the Uniform Guidance, Section 200.516(a)?

<u>      </u> Yes	<u>  X  </u> No
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Identification of major programs:

<u>      CFDA Number(s)      </u>	<u>      Name of Federal Program or Cluster      </u>
84.027, 84.173, 84.027A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

<u>  X  </u> Yes	<u>      </u> No
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**State Awards**

Internal control over state programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported

Type of auditor’s report issued on compliance for state programs:

Unmodified

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section II – Financial Statement Findings**

**2019-1: INTERNAL CONTROL – ASSOCIATED STUDENT BODY (30000)**

**Criteria:**

Education Code Section 48930 (and the California Department of Education’s “Accounting Procedures for Student Organizations Handbook”) requires student body organizations to follow the regulations set by the Governing Board of the school district.

- a. Fundraising approval forms should be used for all fundraising activities

**Condition:**

At Hemlock Elementary we noted the “Spaghetti Fundraiser” was held but no fundraising approval form was completed.

**Effect:**

- a. Fundraising activity may be unauthorized or inappropriate

**Cause**

The policies and procedures for account and cash handling procedures, as outlined by the California Department of Education, were not properly implemented by the school site personnel.

**Recommendations:**

- a. All fundraising activities should have a fundraising approval form completed prior to the revenue generating event. The fundraising approval form is a vital internal control tool and it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project and, in addition, would provide assurance that all moneys earned are properly receipted and deposited.

**Managements Response:**

Management had a mandatory ASB Training for all sites on December 4, 2019. Management will review all aspects of ASB. Management will focus on the mandatory requirements and forms for ASB. Management is using FCMAT’s ASB forms across all sites to standardize the forms for consistency. Management has been visiting the sites bi-annually to review ASB processes and forms, but beginning with 2019-20 they will perform quarterly visits. At these site visits, management will perform an internal audit and pull samples to review the forms and process in detail to ensure all policies and procedures are being followed.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs**

No matters were noted.

**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section III – State Award Findings and Questioned Costs**

No matters were noted.



**VACAVILLE UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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No matters were noted.

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## **ECONOMIC AND DEMOGRAPHIC INFORMATION THE CITY OF VACAVILLE AND THE COUNTY OF SOLANO**

*The following information concerning the City of Vacaville (the “**City**”) and the County of Solano (the “**County**”) is included only for the purpose of supplying general information regarding the area of the District. The Certificates are not a debt of the City, the County, the State or any of its political subdivisions (other than the District), and neither the City, the County, the State nor any of its political subdivisions (other than the District) is liable therefor.*

*The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak, and the economic and other impacts of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact, are developing and uncertain. The information set forth in this Appendix C predates the outbreak of the COVID-19 pandemic and should not be relied upon as representative of the current demographics within the District.*

### **General**

**The City.** The City comprises of approximately 21 square miles. It is located in the County some 50 miles northeast of San Francisco and 30 miles west of Sacramento. The City is served by Interstate 80, the major freeway link between San Francisco and Sacramento, as well as Interstate 505, a connecting freeway from Interstate 80 to Interstate 5 which runs north/south through California.

Historically, the City's economy has been based upon agriculture and related industries; the City has served as a commerce center for agriculture in its region for over 100 years. In recent years, however, the City has transformed its economic base as a result of significant residential, industrial and commercial building activity occurring over the past several years. The City has been proactive in providing commercial/industrial development opportunities, and has formed several assessment districts to finance public improvements required by new projects. Additionally, the City's Redevelopment Agency has formed two project areas to also fund public improvements required by development.

This rapid expansion in manufacturing, warehousing and distribution areas has lead to substantial growth in population and employment. The City is known for the large medical detention facility maintained by the State, the Nut Tree Restaurant and extensive shopping facilities located in the eastern portion of the City.

**The County.** The County is located on the northeast side of the San Francisco Bay, north of Contra Costa County, Suisun Bay and the Carquinez Strait, east of Sonoma County and Napa County, south of Yolo County and west of Sacramento County. The County is located approximately halfway between San Francisco and Sacramento.

The southern part of the County has direct access to Suisun Bay, the San Francisco Bay and the Sacramento-San Joaquin River Delta. For decades, the economy of the County was based primarily on agriculture and ship building at Mare Island Naval Shipyard, which was decommissioned in 1996. Travis Air Force Base, which is located near Fairfield, is the largest military air base in the United States, and is the largest employer in the County.

## Population

The following table lists population estimates County for the last five calendar years, as of January 1.

**SOLANO COUNTY**  
**Population Estimates**  
**Calendar Years 2016 through 2020 as of January 1**

<b>Area</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Benicia	27,409	27,489	27,402	27,263	27,175
Dixon	19,229	19,485	19,686	19,920	19,972
Fairfield	112,740	114,954	115,503	116,319	116,981
Rio Vista	8,595	8,958	9,253	9,594	9,987
Suisun City	28,986	29,167	29,240	29,211	29,119
<b>Vacaville</b>	<b>95,509</b>	<b>96,945</b>	<b>97,685</b>	<b>98,066</b>	<b>98,855</b>
Vallejo	118,939	119,352	119,438	119,349	119,063
Balance Of County	19,123	19,196	19,154	19,110	19,072
Incorporated	411,407	416,350	418,207	419,722	421,152
<b>County Total</b>	<b>430,530</b>	<b>435,546</b>	<b>437,361</b>	<b>438,832</b>	<b>440,224</b>

*Source: State Department of Finance estimates (as of January 1).*

## Employment and Industry

The unemployment rate in the County was 14.2% in May 2020, down from a revised 15.1% in April 2020, and above the year-ago estimate of 3.3%. This compares with an unadjusted unemployment rate of 15.9% for the State and 13.0% for the nation during the same period.

The table below shows the Vallejo-Fairfield Metropolitan Statistical Area's labor patterns during 2015 through 2019.

### VALLEJO-FAIRFIELD METROPOLITAN STATISTICAL AREA (SOLANO COUNTY) Civilian Labor Force, Employment and Unemployment (Annual Averages) (March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force <sup>(1)</sup>	204,800	207,200	208,200	209,300	209,500
Employment	192,300	195,800	198,300	201,000	201,700
Unemployment	12,500	11,400	9,900	8,300	7,900
Unemployment Rate	6.1%	5.5%	4.8%	4.0%	3.7%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	1,800	1,800	1,700	1,700	1,400
Natural Resources and Mining	500	500	500	600	500
Construction	9,000	10,300	10,400	11,200	12,600
Manufacturing	11,700	11,900	12,400	12,700	12,400
Wholesale Trade	4,400	4,100	4,300	4,400	4,400
Retail Trade	18,400	18,600	18,700	18,700	18,000
Trans., Warehousing, Utilities	4,300	4,500	4,500	4,800	4,900
Information	1,100	1,100	1,100	1,100	1,200
Finance and Insurance	3,500	3,600	3,600	3,600	3,400
Professional and Business Services	9,500	9,200	9,500	10,100	10,100
Educational and Health Services	25,100	26,600	27,700	28,400	29,000
Leisure and Hospitality	14,800	15,100	15,200	15,600	16,100
Other Services	4,100	4,100	4,300	4,500	4,800
Federal Government	3,700	3,700	3,700	3,500	3,600
State Government	5,200	5,300	5,300	5,300	5,400
Local Government	15,900	16,200	16,100	16,000	15,800
Total all Industries <sup>(3)</sup>	134,100	138,000	140,400	143,700	145,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: *State of California Employment Development Department.*

## Major Employers

The table below lists the major employers in the County as of June 2020, listed alphabetically.

### Solano County Major Employers (Listed Alphabetically) June 2020

Employer Name	Location	Industry
Aerospace Medical	Travis AFB	Medical Centers
California Medical Facility	Vacaville	Hospitals
Duravent Inc	Vacaville	Ventilating Equipment (whls)
Flatiron Construction Corp	Benicia	General Contractors
Genentech Inc	Vacaville	Pharmaceutical Products-Wholesale
Guittard Chocolate Co	Fairfield	Chocolate & Cocoa (whls)
Jelly Belly Candy Co	Fairfield	Management Services
Jelly Belly Factory	Fairfield	Candy & Confectionery-Retail
Kaiser Permanente Vacaville MD	Vacaville	Hospitals
Kaiser Permanente Vallejo Med	Vallejo	Hospitals
Mike's Auto Body	Vallejo	Automobile Body-Repairing & Painting
Northbay Healthcare Green Vly	Fairfield	Health Services
Northbay Medical Ctr	Fairfield	Hospitals
Northbay Vacaville Hospital	Vacaville	Hospitals
Quick Lane	Fairfield	Tire-Dealers-Retail
Six Flags	Vallejo	Amusement & Theme Parks
Solano County	Fairfield	County Government-Executive Offices
Solano County Sheriff	Fairfield	Government Offices-County
Sutter Solano Medical Ctr	Vallejo	Hospitals
Touro University California	Vallejo	University-College Dept/Facility/Office
Travis Air Force Base	Travis AFB	Military Bases
USDA Forest Svc	Vallejo	Government Offices-Us
Vacaville City Hall	Vacaville	City Government-Executive Offices
Valero Benicia Refinery	Benicia	Oil Refiners (mfrs)
Vallejo City Manager's Office	Vallejo	Government Offices-City/Village & Twp

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1<sup>st</sup> Edition.

## Median Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for Solano County, the State and the United States for the period 2016 through 2020.

### SOLANO COUNTY, STATE OF CALIFORNIA AND UNITED STATES Effective Buying Income As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Vacaville	\$2,522,395	\$62,018
	Solano County	10,690,163	57,332
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Vacaville	\$2,673,830	\$64,564
	Solano County	11,370,811	60,401
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Vacaville	\$2,747,708	\$66,633
	Solano County	11,739,608	61,626
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Vacaville	\$3,096,857	\$72,736
	Solano County	13,210,567	67,406
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Vacaville	\$3,224,973	\$73,512
	Solano County	13,974,039	69,762
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

## Construction Activity

Provided below are the building permits and valuations for the City and County for calendar years 2015 through 2019.

### CITY OF VACAVILLE Total Building Permit Valuations (Valuations in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$110,532.0	\$98,840.4	\$74,448.6	\$49,229.0	\$108,399.0
New Multi-family	4,404.7	0.0	4,161.7	0.0	0.0
Res. Alterations/Additions	<u>8,096.3</u>	<u>9,470.4</u>	<u>10,639.6</u>	<u>12,340.9</u>	<u>14,708.0</u>
Total Residential	123,033.0	108,310.8	89,249.9	61,569.9	123,107.0
New Commercial	36,445.6	4,577.1	44,065.9	9,736.0	18,819.1
New Industrial	0.0	15,137.5	2,200.0	0.0	0.0
New Other	10,302.7	9,131.3	8,787.6	4,402.5	4,897.7
Com. Alterations/Additions	<u>20,554.6</u>	<u>6,452.6</u>	<u>19,278.0</u>	<u>16,074.1</u>	<u>24,541.5</u>
Total Nonresidential	67,302.9	35,298.5	74,331.5	30,212.6	48,258.3
<u>New Dwelling Units</u>					
Single Family	360	337	278	205	380
Multiple Family	<u>56</u>	<u>0</u>	<u>39</u>	<u>0</u>	<u>0</u>
TOTAL	416	337	317	205	380

Source: Construction Industry Research Board, Building Permit Summary.

### COUNTY OF SOLANO Total Building Permit Valuations (Valuations in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$281,379.9	\$251,088.8	\$218,841.3	\$232,672.8	\$295,149.8
New Multi-family	32,470.0	9,554.0	6,071.7	13,980.0	35,889.3
Res. Alterations/Additions	<u>41,093.4</u>	<u>47,072.6</u>	<u>55,571.1</u>	<u>63,699.2</u>	<u>69,033.4</u>
Total Residential	354,943.3	307,715.4	280,484.1	310,352.0	400,072.5
New Commercial	114,798.3	53,048.9	68,646.0	32,432.1	99,650.4
New Industrial	165.0	45,365.3	16,795.2	32,148.5	7,350.2
New Other	19,869.6	19,960.9	48,815.2	18,416.3	20,518.4
Com. Alterations/Additions	<u>77,529.8</u>	<u>68,781.9</u>	<u>92,542.8</u>	<u>59,836.0</u>	<u>79,382.4</u>
Total Nonresidential	212,362.7	187,157.0	226,799.2	142,832.9	206,901.4
<u>New Dwelling Units</u>					
Single Family	1,037	873	845	962	1,147
Multiple Family	<u>329</u>	<u>63</u>	<u>51</u>	<u>140</u>	<u>56</u>
TOTAL	1,366	936	896	1,102	1,203

Source: Construction Industry Research Board, Building Permit Summary.



## Commercial Activity

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2019 in the City were reported to be \$1,865,690,513, a 1.51% increase over the total taxable sales of \$1,837,987,417 reported during calendar year 2018.

**CITY OF VACAVILLE**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2015 through 2019**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	1,208	\$1,415,697	1,839	\$1,682,139
2016	1,197	1,436,253	1,867	1,690,875
2017	1,196	1,506,131	1,860	1,732,592
2018	1,257	1,601,469	2,025	1,837,987
2019	1,312	1,642,335	2,127	1,865,691

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2019 in the County were reported to be \$8,247,072,155, a 4.64% increase over the total taxable sales of \$7,881,172,384 reported during calendar year 2018.

**SOLANO COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2015 through 2019**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	3,233	\$4,687,866	9,265	\$6,961,047
2016	6,042	4,851,514	9,408	7,192,098
2017	6,212	5,051,330	9,627	7,579,125
2018	6,412	5,223,911	10,255	7,881,172
2019	6,490	5,269,581	10,539	8,247,072

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

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## APPENDIX D

### FORM OF OPINION OF BOND COUNSEL

August 4, 2020

Board of Education  
Vacaville Unified School District  
401 Nut Tree Road  
Vacaville, CA 95687

**OPINION:** \$47,395,000 Vacaville Unified School District  
2020 General Obligation Refunding Bonds (Federally Taxable)

Members of the Board of Education:

We have acted as bond counsel to the Vacaville Unified School District (the "District") in connection with the issuance by the Board of Education of the District (the "Board") of its \$47,395,000 principal amount of Vacaville Unified School District (Solano County, California) 2020 General Obligation Refunding Bonds (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and a resolution of the Board of Education of the District (the "Board") adopted on March 19, 2020 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Solano is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates).
5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

*Jones Hall,*  
A Professional Law Corporation

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$47,395,000**  
**VACAVILLE UNIFIED SCHOOL DISTRICT**  
(Solano County, California)  
**2020 General Obligation Refunding Bonds**  
(Federally Taxable)

#### **Continuing Disclosure Certificate**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Vacaville Unified School District (the "District") in connection with the issuance of Vacaville Unified School District (Solano County, California) 2020 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Education of the District on March 19, 2020 (the "Bond Resolution"). U.S. Bank National Association, is initially acting as paying agent for the Bonds (the "**Paying Agent**"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means initially Isom Advisors, a Division of Urban Futures, Inc. or any third-party Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

*“Paying Agent”* means U.S. Bank National Association, or any successor thereto.

*“Rule”* means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District’s fiscal year (which currently would be March 31), commencing no later than March 31, 2021 with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice of failure to file.

(c) With respect to the Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement,

and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

- (i) The District's approved annual budget or interim report;
- (ii) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;
- (iii) If Solano County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District;
- (iv) Top ten property owners in the District, as measured by secured assessed valuation, the amount of its taxable assessed value, and their percentage of total secured assessed value, if material.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6) (other than adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a notice of Proposed Issuance (IRS Form 5701 TEB) with respect to the Bonds), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) or (a)(15) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above 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.

(c) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means 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 Municipal Securities Rulemaking Board consistent with the Rule, and



the issuer thereof has entered into a continuing disclosure undertaking for such municipal securities.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, 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 proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto 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.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the

former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 9. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August 4, 2020

**VACAVILLE UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Superintendent

**ACCEPTANCE OF DUTIES  
AS DISSEMINATION AGENT:**

By \_\_\_\_\_  
Authorized Officer

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## APPENDIX F

### DTC AND THE BOOK-ENTRY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Refunding Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given 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 Refunding Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding 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 Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, 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. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. 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 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, 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 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.