

**VISALIA UNIFIED SCHOOL DISTRICT**  
**MEASURE A GENERAL OBLIGATION BONDS**  
**FINANCIAL STATEMENTS**  
June 30, 2020

VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Visalia Unified School District  
Visalia, California

***Report on the Financial Statements***

We have audited the accompanying financial statements of Visalia Unified School District (the "District") Measure A General Obligation Bonds activity included in the Building Fund of the District (the "Building Fund"), as of and for the year ended June 30, 2020, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk 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 the 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Visalia Unified School District Measure A General Obligation Bonds activity as of June 30, 2020, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present the financial activity and balances of the Measure A General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of Visalia Unified School District, as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021 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 for Measure A General Obligation Bonds activity. 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 the effectiveness of the District's internal control over financial reporting or on compliance for Measure A General Obligation Bonds activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control financial reporting and compliance for the Measure A General Obligation Bonds activity.

  
Crowe LLP

Sacramento, California  
March 2, 2021

VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
BALANCE SHEET  
June 30, 2020

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**ASSETS**

Total assets \$ \_\_\_\_\_ -

**LIABILITIES AND FUND BALANCE**

Total liabilities and fund balance \$ \_\_\_\_\_ -

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See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
For the Year Ended June 30, 2020

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Revenues:	
Other local sources	\$ <u>1,154</u>
Expenditures:	
Capital outlay	\$ <u>1,049,555</u>
Deficiency of revenues under expenditures	(1,048,401)
Other financing sources	
Transfers in	<u>1,048,165</u>
Change in fund balance	<u>(236)</u>
Fund balance, July 1, 2019	<u>236</u>
Fund balance, June 30, 2020	<u>\$ -</u>

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See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Visalia Unified School District (the “District”) conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the California Department of Education’s *California School Accounting Manual*. The activities of Measure A Bonds are recorded in the District’s Building Fund. The accounting policies of the Building Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure A General Obligation Bonds, only. The activities of the Measure A General Obligation Bonds are recorded in the District’s Building Fund (Fund 21). These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

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

The basic 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 liabilities, if any, is recognized when due.

Interfund Activity: 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.

Accounting Estimates: The presentation of 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. Actual results could differ from those estimates.

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

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VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 2 – INTERFUND TRANSACTIONS**

Interfund Activity: 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.

Transfers In: The District transferred \$1,048,165 into the Measure A Bond fund from the General Fund to advance funds for initial expenditures of the Measure A program.

**NOTE 3– PURPOSE OF BOND ISSUANCE**

Bond Authorization: The Visalia Unified School District, Tulare County, California Election of 2018 General Obligation Bonds, Measure A were authorized at an election of the registered voters of the Visalia Unified School District held on November 6, 2018 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$105,300,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the constructing, modernizing, renovating, installing, updating, replacing and repairing school facilities, infrastructure and grounds of certain District property and facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes.

Purpose of Bonds: The proceeds of the Bond may be used:

*"To protect quality education with funding that cannot be taken by the State, shall Visalia Unified School District: upgrade classrooms, labs and computer systems to support science, technology, English, arts and math; prevent school/classroom overcrowding; and improve school safety/security; by issuing \$105,300,000 in bonds at legal rates, repaying an annual average of \$7,560,000 for 30 years, at approximately \$36 per \$100,000 of assessed value, with independent oversight, no money for administrators, and all funds staying local?"*

Bond Project List: The Bond Project List, which is an integral part of the proposition, lists the specific projects the District proposes to finance with proceeds of the bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed at individual campuses. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering and similar planning costs, construction management and customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. In addition, certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore, the Board of Education cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

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VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 4 – GENERAL OBLIGATION BOND ISSUANCES**

The bonds are general obligations of the District and the Tulare County Board of Supervisors are obligated to levy *ad valorem* taxes for the payment, without limitation as to amount, upon all property within the county subject to taxation by the District for the payment of principal of and interest on the Bonds when due. The bonds are included in the audited financial statements of the District as the Building Fund. As of June 30, 2020 the District had not issued Measure A bonds.

**NOTE 5 – COVID-19 IMPACT**

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed

**NOTE 6 – SUBSEQUENT EVENT**

In July 2020, the District issued Election of 2018 General Obligation Bonds, Series 2020 in the amount of \$35,170,000. The bonds mature through August 1, 2044 with interest rates ranging from 2.0% to 5.0% percent.

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

Board of Education  
Visalia Unified School District  
Visalia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Visalia Unified School District (the "District") Measure A General Obligation Bonds activity included in the Building Fund of the District (the "Building Fund") as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated March 2, 2021.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over Measure A General Obligation Bond activity financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Building Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Building Fund.

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.

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(Continued)

## Compliance and Other Matters

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

## 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Sacramento, California  
March 2, 2021

VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2020

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No matters were reported.

VISALIA UNIFIED SCHOOL DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2020

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No matters were reported.