

VISALIA UNIFIED SCHOOL DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2021

VISALIA UNIFIED SCHOOL DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
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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, 2021, 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.

(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, 2021, 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 only, and do not purport to, and do not, present fairly the financial position of Visalia Unified School District, as of June 30, 2021, 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 January 28, 2022 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

Crowe LLP

Sacramento, California
January 28, 2022

VISALIA UNIFIED SCHOOL DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2021

ASSETS

Cash in County Treasury \$ 31,881,443

LIABILITIES AND FUND BALANCE

Accounts payable \$ 22,921

Fund balance - restricted 31,860,522

Total liabilities and fund balance \$ 31,883,443

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, 2021

Revenues:		
Other local sources		\$ <u>501,852</u>
Expenditures:		
Current:		
Books and supplies		41,394
Contract services		407,351
Capital outlay		<u>2,505,535</u>
Total expenditures		<u>2,954,280</u>
Deficiency of revenues under expenditures		(2,452,428)
Other financing sources (uses):		
Proceeds from sales of bonds		35,170,000
Debt issuance premiums		191,115
Transfers out		<u>(1,048,165)</u>
Total other financing sources (uses)		<u>34,312,950</u>
Change in fund balance		31,860,522
Fund balance, July 1, 2020		<u>-</u>
Fund balance, June 30, 2021		<u>\$ 31,860,522</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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.

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. There were no amounts due to or due from other funds at June 30, 2021.

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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.

On July 9, 2020 the District issued General Obligation Bonds, Series 2020, under the Measure A authorization, totaling \$35,170,000. The Bonds mature through August 1, 2044 with interest rates ranging from 2.0% to 5.0%.

The financial activity related to the Measure A General Obligation Bonds is recorded within Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2021.

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, 2021, and the related notes to the financial statements and have issued our report thereon dated January 28, 2022.

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. 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 over financial reporting 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.

(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

Crowe LLP

Sacramento, California
January 28, 2022

VISALIA UNIFIED SCHOOL DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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, 2021

No matters were reported.