



December 29, 2021

To the Honorable Mayor and the Members of the City Council  
of the City of Visalia  
Visalia, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia (the “City”) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 26, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the basic financial statements, the City implemented the following accounting standards:

##### *New Accounting Standards*

**GASB Statement No. 84, *Fiduciary Activities*.** This statement establishes standards relating accounting and financial reporting for identifying and financial reporting of fiduciary activities. Those provisions are effective for reporting periods beginning after December 15, 2019, as amended by GASB Statement No. 95. Application of this statement was effective starting in fiscal year ending June 30, 2021. See Note 14 of the City’s ACFR for details.

**GASB Statement No. 98, *The Annual Comprehensive Financial Report*.** This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Those provision are effective for fiscal years ending after December 15, 2021. The City has elected early implementation of this statement. Application of this statement did not have a material effect on the City’s financial statements for the fiscal year ending June 30, 2021.

No other new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City's financial statements were:

- Management's estimate of the investment fair market value is based on information provided by US Bank for the City's investment in U.S. Treasuries are based on quoted price in the active markets for identical assets, and federal agency securities, corporate medium-term notes, municipal bonds, and money market funds are based on institutional bond quotes. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

- Note 1 – Summary of Significant Accounting Policies
- Note 2 – Budgets and Budgetary Accounting
- Note 10 – Employee Benefits
- Note 14 – Prior Period Adjustments
- Note 15 – Transactions with Related Parties

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 29, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussions and Analysis ("MD&A"), Budgetary Comparison Schedule, the Schedules of Changes in Net Pension Liability and Related Ratios, and the Schedules of Contributions, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Combining and Individual Nonmajor Fund Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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Visalia, California  
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Restriction on Use

This information is intended solely for the information and use of City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*The Per Group, LLP*

Santa Ana, California

**Attachment A**

**City of Visalia  
Uncorrected Journal Entries  
For the year ended June 30, 2021**

**Uncorrected Journal Entries:**

| No. | Account Numbers  | Descriptions                  | Dr.        | Cr.          |
|-----|--|-------------------------------|------------|--------------|
| 1   | 001-05-0000-10-21111   | Deferred inflows of resources | 61,156.00  |              |
|     | 001-05-0000-10-33905   | Fund Balance                  |            | (61,156.00)  |
|     | 261-85-0000-35-21111   | Deferred inflows of resources | 163,368.47 |              |
|     | 261-85-0000-35-33915   | Fund Balance - reserve        |            | (163,368.47) |
|     | 241-85-0000-35-21111   | Deferred inflows of resources | 814,590.41 |              |
|     | 241-85-0000-35-33915   | Fund Balance - reserve        |            | (814,590.41) |
|     | 221-85-0000-35-21111   | Deferred inflows of resources | 4,892.14   |              |
|     | 211-85-0000-35-33915   | Fund Balance - reserve        |            | (4,892.14)   |
|     | 105-85-0000-30-21111   | Deferred inflows of resources | 61,781.18  |              |
|     | 105-85-0000-30-33915   | Fund Balance - reserve        |            | (61,781.18)  |
|     | 106-85-0000-25-21111   | Deferred inflows of resources | 4,856.32   |              |
|     | 106-85-0000-25-33930   | Fund Balance - unassigned     |            | (4,856.32)   |
|     | 102-85-0000-10-21111   | Deferred inflows of resources | 100,854.52 |              |
|     | 102-85-0000-10-33915   | Fund Balance - reserve        |            | (100,854.52) |
|     | 103-85-0000-35-21111   | Deferred inflows of resources | 16,346.94  |              |
|     | 103-85-0000-35-33915   | Fund Balance - reserve        |            | (16,346.94)  |
|     | 611-20-0000-15-21111   | Deferred inflows of resources | 6,533.39   |              |
|     | 611-20-0000-15-33915   | Fund Balance - reserve        |            | (6,533.39)   |
|     | 003-85-0000-10-21111   | Deferred inflows of resources | 133,665.09 |              |
|     | 003-85-0000-10-33920   | Fund Balance - committed      |            | (133,665.09) |
|     | To unrecord improper recording of deferred inflows of resources related to notes receivable as of 6/30/21. |                               |            |              |
|     | 001-10-2101-10-20101   | Accounts payable              |            | (85,000.00)  |
|     | 001-10-2101-10-69332   | Serv Prov-Legal Out of Scope  | 85,000.00  |              |
|     | 001-10-2101-10-20101   | Accounts payable              |            | (10,000.00)  |
|     | 001-10-2101-10-69332   | Serv Prov-Legal Out of Scope  | 10,000.00  |              |
|     | 551-10-5521-10-20101   | Accounts payable              |            | (15,000.00)  |
|     | 551-10-5521-10-58150   | Serv Prov-Legal Out of Scope  | 15,000.00  |              |

To accrue for settlements paid subsequent to 6/30/21.