Annual Financial Report
June 30, 2019

Tracy Unified School District

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TRACY UNIFIED SCHOOL DISTRICT
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JUNE 30, 2019

FINANCIAL SECTION

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Governing Board
Tracy Unified School District
Tracy, 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 Tracy 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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tracy Unified School 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, budgetary comparison schedule, schedule of changes in the District's total OPEB liability and related ratios, schedule of District contributions for OPEB, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tracy Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying supplementary information 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 16, 2019, on our consideration of the Tracy Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tracy Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tracy Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Pleasanton, California
December 16, 2019

This section of Tracy Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is Tracy Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds 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 general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $200.8 million for the fiscal year ended June 30, 2019. Of this amount, ($93.5) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2019	**2018**
Current and other assets	$ 129.8	$ 143.9
Capital assets	372.7	355.2
Total Assets	**502.5**	**499.1**
Deferred outflows of resources	**44.5**	**52.9**
Current liabilities	12.8	15.6
Long-term liabilities	317.2	318.2
Total Liabilities	**330.0**	**333.8**
Deferred inflows of resources	**16.2**	**13.9**
Net position		
Net investment in capital assets	232.9	212.6
Restricted	61.4	55.5
Unrestricted	(93.5)	(63.8)
Total Net Position	**$ 200.8**	**$ 204.3**

The ($93.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by $29.7 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2019	**2018**
Revenues		
Program revenues:		
Charges for services	$ 6.4	$ 11.4
Operating grants and contributions	31.3	23.4
Capital grants and contributions	0.5	0.1
General revenues:		
Federal and State aid	108.8	101.9
Property taxes	47.2	41.2
Other general revenues	5.1	6.4
Total Revenues	**199.3**	**184.4**
Expenses		
Instruction	118.6	101.7
Instruction-related	27.7	22.7
Student support services	20.3	16.8
Administration	7.7	6.9
Maintenance and operations	19.1	17.2
Other	9.5	9.1
Total Expenses	**202.9**	**174.4**
Change in Net Position	**$ (3.6)**	**$ 10.0**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $202.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $47.2 million because the cost was paid by those who benefited from the programs ($6.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($31.3 million). We paid for the remaining "public benefit" portion of our governmental activities with $108.8 million in Federal and State funds, and with $5.1 million of other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, instruction related activities, pupil services, administration, plant services and construction, ancillary and community services and other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2019	**2018**	**2019**	**2018**
Instruction	$ 118.6	$ 101.7	$ 101.6	$ 89.0
Instruction related activities	27.7	22.7	23.1	20.2
Student support services	20.3	16.8	13.1	10.4
Administration	7.7	6.9	6.7	6.0
Plant services	19.1	17.2	18.7	17.1
Ancillary and community services	1.7	1.4	1.5	1.4
Other	7.8	7.7	0.1	(4.6)
Totals	**$ 202.9**	**$ 174.4**	**$ 164.8**	**$ 139.5**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $119.5 million, which is a decrease of $11.0 million from last year (Table 4).

Table 4

(Amounts in millions)	Fund Balance	
	2019	**2018**
General	$ 53.2	$ 51.6
Cafeteria	1.6	2.2
Building	8.7	20.9
County School Facilities	3.7	12.7
Capital Facilities	38.0	32.2
Special Reserve-Capital Outlay	0.6	0.6
TSFFA Bond Interest and Redemption	3.4	2.7
Bond Interest and Redemption	10.3	7.6
Totals	**$ 119.5**	**$ 130.5**

The primary reasons for these increases/decreases are:

- The General Fund is the District's principal operating fund. The fund balance of the General Fund increased $1.5 million due to an increase in LCFF revenue and a decrease in one time mandated cost reimbursements and in increase in other one time expenditures.
- The Building Fund balance decreased $12.2 million primarily due to transfers to other facilities funds.
- The County School Facilities Fund decreased $9 million due to construction projects.
- The Capital Facilities Fund increased $5.9 million due revenue collected.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 25, 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $372.7 million in a broad range of capital assets (net of depreciation), including land, construction in progress, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $17.6 million or 5 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Capital Assets	
	2019	**2018**
Land and construction in progress	$ 61.5	$ 67.3
Buildings and improvements	453.2	420.6
Equipment	20.1	19.0
Subtotal	534.8	506.9
Accumulated Depreciation	(162.1)	(151.7)
Net Capital Assets	**$ 372.7**	**$ 355.2**

As discussed in the Note 13 of the Financial Statements, the District has construction commitments in the amount of $4.8 million expected to be completed during the fiscal year 2019 and beyond.

We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $130.7 million in bonds outstanding versus $132.8 million last year; a decrease of 2 percent. The long-term obligations consisted of:

Table 6

(Amounts in millions)	Long Term Obligations	
	2019	**2018**
General obligation bonds (financed with property taxes)	$ 130.7	$ 132.8
Bond premium, net	7.6	8.1
Capital leases	0.1	0.1
Net other post employment benefit (OPEB) liability	20.6	19.1
Net pension liability	158.2	158.0
Totals	**$ 317.2**	**$ 318.1**

The Tracy School Facilities Financing Authority (TSFFA) is a component unit of the Tracy Unified School District and was organized to facilitate funding of general obligation bonds. See Note 15 for more information about the TSFFA. Individually prepared financial statements for the TSFFA may be obtained through the business office of the District.

Other long-term obligations include compensated absences payable and capital leases. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

- Successfully implemented first year curriculum of the Federal STEM Grant.
- Settled contract with TEA (Tracy Educators Association) prior to start of the new fiscal year
- Number student suspension in the district was reduced
- Continued successful Summer Bridge program
- Opened new Central Elementary School
- Completed the modernization of the Clover campus
- Deferred maintenance projects identified and completed
- Student achievement scores rising in statewide tests
- District remains fiscally strong

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

Examples:
1. Local Control Funding Formula.
2. Developer fee collections are based on approximate new housing units to be constructed.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	21:1	3,485.04
Grades four through eight	24:1	4,790.52
Grades nine through twelve	24.5:1	5,202.15

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Associate Superintendent, Business Services, at Tracy Unified School District, 1875 West Lowell Avenue, Tracy, California, 95376, or e-mail at cgoodall@tusd.net.

TRACY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
ASSETS		
Deposits and investments	$	122,275,167
Receivables		6,650,914
Prepaid expenses		562,863
Stores inventories		299,422
Capital assets not depreciated		61,481,987
Capital assets, net of accumulated depreciation		311,253,295
Total Assets		502,523,648
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability		720,057
Deferred outflows of resources related to pensions		43,811,372
Total Deferred Outflows of Resources		44,531,429
LIABILITIES		
Accounts payable		9,980,532
Interest payable		2,495,300
Unearned revenue		339,258
Long-term obligations:		
Current portion of long-term obligations other than pensions		6,394,286
Noncurrent portion of long-term obligations other than pensions		132,073,308
Total Long-Term Obligations		138,467,594
Other post employment benefit obligation		20,621,222
Aggregate net pension liability		158,162,244
Total Liabilities		330,066,150
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability		395,444
Deferred inflows of resources related to pensions		14,400,313
Deferred inflows of resources related to debt refunding		1,435,959
Total Deferred Inflows of Resources		16,231,716
NET POSITION		
Net investment in capital assets		232,833,783
Restricted for:		
Debt service		11,190,910
Capital projects		42,127,192
Educational programs		5,047,376
Other activities		3,006,828
Unrestricted		(93,448,878)
Total Net Position	$	200,757,211

TRACY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 118,670,569	$ 57,978	$ 16,637,371	$ 430,730	$ (101,544,490)
Instruction-related activities:					
Supervision of instruction	8,021,037	112,788	2,532,372	-	(5,375,877)
Instructional library, media, and technology	6,331,673	-	270,583	-	(6,061,090)
School site administration	13,382,513	8,663	1,667,801	-	(11,706,049)
Pupil services:					
Home-to-school transportation	5,442,727	-	162,634	-	(5,280,093)
Food services	6,575,240	1,127,021	4,357,806	-	(1,090,413)
All other pupil services	8,183,847	-	1,443,887	-	(6,739,960)
General administration:					
Data processing	232,986	-	-	-	(232,986)
All other general administration	7,476,498	57,967	898,378	-	(6,520,153)
Plant services	19,194,069	26,313	505,008	-	(18,662,748)
Ancillary services	1,468,048	-	72,715	-	(1,395,333)
Community services	164,443	-	3,731	-	(160,712)
Enterprise services	(9,310)	(1,846)	(6,478)	-	986
Interest on long-term debt	4,968,446	-	-	-	(4,968,446)
Other outgo	2,837,267	4,965,013	2,786,733	-	4,914,479
Total Governmental-Type Activities	$ 202,940,053	$ 6,353,897	$ 31,332,541	$ 430,730	(164,822,885)

General revenues and subventions:	
Property taxes, levied for general purposes	36,515,908
Property taxes, levied for debt service	10,009,818
Taxes levied for other specific purposes	705,805
Federal and State aid not restricted to specific purposes	108,873,135
Interest and investment earnings	959,069
Miscellaneous	4,198,193
Subtotal, General Revenues	161,261,928
Change in Net Position	(3,560,957)
Net Position - Beginning	204,318,168
Net Position - Ending	$ 200,757,211

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

TRACY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Capital Facilities Fund
ASSETS		
Deposits and investments	$ 52,902,964	$ 37,832,292
Receivables	5,764,016	219,616
Due from other funds	342,361	-
Prepaid expenses	562,863	-
Stores inventories	249,055	-
Other current assets	-	-
Total Assets	$ 59,821,259	$ 38,051,908
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 6,004,966	$ 6,692
Due to other funds	350,906	-
Unearned revenue	313,584	-
Total Liabilities	6,669,456	6,692
Fund Balances:		
Nonspendable	826,918	-
Restricted	5,047,376	38,045,216
Assigned	42,193,205	-
Unassigned	5,084,304	-
Total Fund Balance	53,151,803	38,045,216
Total Liabilities and Fund Balances	$ 59,821,259	$ 38,051,908

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

County School Facilities Fund	Non Major Governmental Funds	Total Governmental Funds
$ 7,495,637	$ 24,044,274	$ 122,275,167
39,073	628,209	6,650,914
-	350,906	693,267
-	-	562,863
-	50,367	299,422
-	-	-
$ 7,534,710	$ 25,073,756	$ 130,481,633
$ 3,860,747	$ 108,127	$ 9,980,532
-	342,361	693,267
-	25,674	339,258
3,860,747	476,162	11,013,057
-	50,367	877,285
3,673,963	22,365,444	69,131,999
-	2,181,783	44,374,988
-	-	5,084,304
3,673,963	24,597,594	119,468,576
$ 7,534,710	$ 25,073,756	$ 130,481,633

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

TRACY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 119,468,576**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 534,842,644	
Accumulated depreciation is	(162,107,362)	
Net Capital Assets		372,735,282
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities.		(1,435,959)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when its is due. On the government-wid financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,495,300)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	$ 15,716,049	
Net change in proportionate share of net pension liability	2,320,828	
Differences between projected and actual earnings on pension plan investments	386,066	
Differences between expected and actual experience in the measurement of the total pension liability.	3,430,126	
Changes of assumptions	21,958,303	
Total Deferred Outflows of Resources Related to Pensions		43,811,372
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (8,508,796)	
Differences between projected and actual earnings on pension plan investments	(4,277,817)	

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued)
JUNE 30, 2019

Differences between expected and actual experience in the measurement of the total pension liability.	(1,613,700)	
Total Deferred Inflows of Resources Related to Pensions		(14,400,313)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		720,057
Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB consist of changes of assumptions.		(395,444)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(158,162,244)
Long-term obligations at year-end consist of:		
General obligation bonds	$ (130,764,048)	
Bond premium, net of amortization	(7,598,052)	
Capital leases payable	(103,440)	
Compensated absences (vacations)	(2,054)	
Special termination benefits payable		
Net other postemployment benefits (OPEB) liability	(20,621,222)	
Total Long-Term Obligations		(159,088,816)
Total Net Position - Governmental Activities		**$ 200,757,211**

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

TRACY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Facilities Fund
REVENUES		
Local Control Funding Formula	$ 139,775,724	$ -
Federal sources	7,453,863	-
Other state sources	21,126,817	-
Other local sources	6,663,493	5,870,499
Total Revenues	175,019,897	5,870,499
EXPENDITURES		
Current		
Instruction	102,026,460	-
Instruction-related activities:		
Supervision of instruction	7,462,742	-
Instructional library, media and technology	5,539,876	-
School site administration	12,414,876	-
Pupil services:		
Home-to-school transportation	5,535,613	-
Food services	-	-
All other pupil services	7,632,244	-
General administration:		
All other general administration	6,734,351	-
Plant services	17,643,830	13,540
Ancillary services	1,369,100	-
Community services	153,897	-
Other outgo	2,837,267	-
Enterprise services	-	-
Facility acquisition and construction	4,084,411	-
Debt service		
Principal	45,227	-
Interest and other	-	-
Total Expenditures	173,479,894	13,540
Excess (Deficiency) of Revenues Over Expenditures	1,540,003	5,856,959
Other Financing Sources (Uses):		
Transfers in	-	-
Other sources	-	-
Transfers out	-	-
Net Financing Sources (Uses)	-	-
NET CHANGE IN FUND BALANCES	1,540,003	5,856,959
Fund Balance - Beginning	51,611,800	32,188,257
Fund Balance - Ending	$ 53,151,803	$ 38,045,216

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

County School Facilities Fund	Non Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 139,775,724
-	4,943,079	12,396,942
260,145	742,211	22,129,173
170,584	12,372,681	25,077,257
430,729	18,057,971	199,379,096
-	185,373	102,211,833
-	17,666	7,480,408
-	-	5,539,876
-	65,636	12,480,512
-	-	5,535,613
-	6,057,095	6,057,095
-	-	7,632,244
-	292,103	7,026,454
14,576	117,191	17,789,137
-	-	1,369,100
-	-	153,897
-	-	2,837,267
-	(9,310)	(9,310)
22,751,147	-	26,835,558
-	2,738,000	2,783,227
-	4,687,865	4,687,865
22,765,723	14,151,619	210,410,776
(22,334,994)	3,906,352	(11,031,680)
13,285,000	-	13,285,000
-	10,879	10,879
-	(13,285,000)	(13,285,000)
13,285,000	(13,274,121)	10,879
(9,049,994)	(9,367,769)	(11,020,801)
12,723,957	33,965,363	130,489,377
$ 3,673,963	$ 24,597,594	$ 119,468,576

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE TO THE SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balance - Governmental Funds		**$ (11,020,801)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation expense	$ (10,433,279)	
Capital outlays	27,925,364	
Net Expense Adjustment		17,492,085
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		2,738,000
Payment of principal on long-term capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		45,227
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.		(37,232)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used were more than the amounts earned.		(1,451)

TRACY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE TO THE SCHEDULE OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Premiums on bonds and gain on refunding bonds are amortized over the term of the bonds in the statement of activities, but are recorded as as an other source of funds in the year of issuance in the government funds.	643,377
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(10,704,508)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.	(1,818,049)
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(897,605)
Change in Net Position of Governmental Activities	**$ (3,560,957)**

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Fund
ASSETS	
Deposits and investments	$ 1,253,017
Total Assets	$ 1,253,017
LIABILITIES	
Due to student groups	$ 1,253,017
Total Liabilities	$ 1,253,017

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Tracy Unified School District was unified on July 1, 1997 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates eight K-5 schools, four K-8 schools, two high schools, two continuation high schools, a community day school, and adult educational classes.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Tracy Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component unit, although a legally separate entity is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Tracy School Facilities Financing Authority’s financial activity is presented in the financial statements as the TSFFA Bond Interest and Redemption Fund. Bonds issued by the Authority and purchased by the District are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements of the Authority may be obtained through the business office of the District.

Other Related Entities

Charter School The District has approved three Charter Schools pursuant to *Education Code* Section 47605. They are Discovery Charter, Primary Charter, and Millennium Charter. The Charter Schools are operated by Tracy Learning Center which is not considered a component unit of the District. The District receives revenue on behalf of the Charter Schools which it passes on to the Charters. This activity is not accounted for in District funds.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for other than Capital Outlay do not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve For Other Than Capital Outlay Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, liabilities, fund balance, revenues and expenditures of $7,410,667, $872,568, $12,338,503, $3,217,822 and $4,015,064, respectively.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626) and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County Schools Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State Schools Facilities Fund (Proposition 1D) or the 2006 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Green School Facilities Act of 1998 (Education Code Section 17010 et seq.).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities that compose a substantial portion of the inflows of the fund and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources, for and the payment of, principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

TSFFA Fund The TSFFA Fund is used to account for the activity related to the TSFFA component unit bond repayments.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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. Generally, available is defined as collectible within 45 or 60 days.

However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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.

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

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance. The District reported restricted net position of $61,372,306 at June 30, 2019.

Prepaid Expenditures (Expenses)

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 over the benefiting period.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $20,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

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 activities column of the statement of net position, except for the net residual amounts due between governmental activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certified employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Debt Premiums and Discounts

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities, fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred gains on bond refunding, for pension related items and for OPEB related items.

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 California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net 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 Plan and additions to/deductions from the District Plan's fiduciary net position has been determined on the same basis as it is reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Fund Balances – Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolution or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or associate superintendent of business services may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board had provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities, except for the net residual amounts transferred between governmental activities.

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 that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.
This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.
This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental funds	$ 122,275,167
Fiduciary funds	1,253,017
Total Deposits and Investments	$ 123,528,184

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$ 4,712,558
Cash in revolving	15,000
Investments	118,800,626
Total Deposits and Investments	$ 123,528,184

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments by maintaining funds in the investment pool listed below. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity in Days
County Treasury Investment Pool	$ 118,800,626	396 days

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, approximately $1,000,000 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's custodial credit risk is limited as all funds were invested in the county treasury investment pool.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Joaquin County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.
The District's fair value measurements are as follows at June 30, 2019:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Treasury Investment Pool	$ 118,800,626	$ -	$ -	$ -	$ 118,800,626

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 3,328,175	$ -	$ -	$ 507,285	$ 3,835,460
State Government					
Principal apportionment	-	-	-	-	-
Categorical aid	1,096,176	-	-	56,614	1,152,790
Lottery	658,239	-	-	-	658,239
Local Government					
Interest	247,399	197,972	39,073	45,818	530,262
Other Local Sources	433,910	21,644	-	18,492	474,046
Total	$ 5,764,016	$ 219,616	$ 39,073	$ 628,209	$ 6,650,914

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 27,124,015	$ -	$ -	$ 27,124,015
Construction in Progress	40,210,929	20,541,497	26,394,454	34,357,972
Total Capital Assets Not Being Depreciated	67,334,944	20,541,497	26,394,454	61,481,987
Capital Assets Being Depreciated:				
Land Improvements	24,580,540	36,924	-	24,617,464
Buildings and Improvements	395,971,991	32,651,591	-	428,623,582
Furniture and Equipment	10,277,954	214,734	-	10,492,688
Vehicles	8,751,851	875,072	-	9,626,923
Total Capital Assets Being Depreciated	439,582,336	33,778,321	-	473,360,657
Total Capital Assets	506,917,280	54,319,818	26,394,454	534,842,644
Less Accumulated Depreciation:				
Land Improvements	15,657,993	960,401	-	16,618,394
Buildings and Improvements	121,283,238	8,484,910	-	129,768,148
Furniture and Equipment	6,679,780	696,493	-	7,376,273
Vehicles	8,053,072	291,475	-	8,344,547
Total Accumulated Depreciation	151,674,083	10,433,279	-	162,107,362
Governmental Activities Capital Assets, Net	$ 355,243,197	$ 43,886,539	$ 26,394,454	$ 372,735,282

Depreciation expense was charged as a direct expense to governmental function as follows:

Governmental Activities	
Instruction	$ 9,113,412
Instructional library, media, and technology	391,415
Home-to-school transportation	308,209
Food services	126,151
All other general administration	257,509
Plant services	236,583
Total Depreciation Expenses Governmental Activities	$ 10,433,279

NOTE 6 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 350,906	$ 350,906
Non-Major Governmental Funds	342,361	-	342,361
Total	$ 342,361	$ 350,906	$ 693,267

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From	
Transfer To	Non-Major Governmental Funds	Total
County School Facilities Fund	$ 13,285,000	$ 13,285,000

The Bond Interest and Redemption Fund transferred to the County School Facilities Fund for construction expenditure reimbursement	$ 13,285,000

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 2,608,928	$ 6,692	$ 3,860,747	$ 75,994	$ 6,552,361
State principal apportionment	904,758	-	-	-	904,758
Salaries and benefits	2,491,280	-	-	32,133	2,523,413
Total	$ 6,004,966	$ 6,692	$ 3,860,747	$ 108,127	$ 9,980,532

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 94,712	$ -	$ 94,712
State categorical aid	204,142	25,674	229,816
Other local	14,730	-	14,730
Total	$ 313,584	$ 25,674	$ 339,258

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 132,823,290	$ 678,758	$ 2,738,000	$ 130,764,048	$ 5,834,000
Bond premium, net	8,116,154	-	518,102	7,598,052	518,102
Compensated absences	603	1,451	-	2,054	-
Capital leases	111,435	37,232	45,227	103,440	42,184
Net other post employment benefit (OPEB) liability	19,153,058	2,584,000	1,115,836	20,621,222	-
Net pension liability	157,967,024	195,220	-	158,162,244	-
	$ 318,171,564	$ 3,496,661	$ 4,417,165	$ 317,251,060	$ 6,394,286

The general obligation bonds will be paid from property tax assessments through the bond interest and redemption fund. The capital lease payments are generally paid through the general fund. The accrued vacation, other postemployment benefits, and pension liability will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued /Accreted	Redeemed	Bonds Outstanding June 30, 2019
April 2009	8/1/2033	3.00% - 6.00%	12,000,000	$ 440,000	$ -	$ 195,000	$ 245,000
April 2011	8/1/2026	3.00%	16,000,000	12,673,000	-	753,000	11,920,000
April 2011	8/1/2041	6.60% - 8.54%	5,999,637	615,116	52,874	-	667,990
April 2011	8/1/2041	6.60% - 8.54%	5,030,649	8,490,174	625,884	-	9,116,058
April 2014	8/1/2032	3.00% - 5.00%	27,460,000	24,050,000	-	1,020,000	23,030,000
February 2015	8/1/2029	2.00% - 5.00%	14,910,000	14,070,000	-	650,000	13,420,000
July 2015	8/1/2041	3.25% - 4.00%	9,100,000	8,380,000	-	45,000	8,335,000
July 2015	8/1/2040	4.00% - 5.00%	29,000,000	22,295,000	-	75,000	22,220,000
March 2016	8/1/2035	2.00% - 5.00%	11,940,000	11,810,000	-	-	11,810,000
April 2018	8/1/2042	2.00% - 4.00%	30,000,000	30,000,000	-	-	30,000,000
				$ 132,823,290	$ 678,758	$ 2,738,000	$ 130,764,048

Debt Service Requirements to Maturity

The general obligation bonds mature through fiscal year 2042 as follows:

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2020	$ 5,834,000	$ -	$ 5,413,334	$ 11,247,334
2021	5,576,000	-	4,660,833	10,236,833
2022	4,039,000	-	4,462,308	8,501,308
2023	4,476,000	-	4,284,358	8,760,358
2024	4,952,000	-	4,080,788	9,032,788
2025-2029	32,116,721	2,106,797	16,690,973	50,914,491
2030-2034	25,616,488	6,136,229	11,030,359	42,783,076
2035-2039	22,603,334	9,898,091	6,483,750	38,985,175
2040-2042	21,136,357	7,234,503	1,467,626	29,838,486
Total	126,349,900	$ 25,375,620	$ 58,574,329	$ 210,299,849
Accretions to date	4,414,148			
Total	$ 130,764,048			

On February 11, 2015, the District issued $14,910,000 in General Obligation Refunding Bonds to refund a portion of the District's outstanding 2006 Election, Series 2008. The net proceeds were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 2006 Election, Series 2008 bonds. The balance in the escrow account at June 30, 2019 was $0.

On March 22, 2016, the District issued $11,490,000 in General Obligation Refunding Bonds to refund the District's outstanding 2008 Election, Series 2009, and a portion of the 2008 Election, Series 2011B bonds. The net proceeds were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The balance in the escrow account at June 30, 2019 was $12,129,449. The economic gain on the refunding was $12,357,216.

Compensated absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2019, amounted to $2,054.

Capital Leases

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

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 42,184
2021	42,184
2022	13,858
2023	8,413
Total	106,639
Less: Amount Representing Interest	(3,199)
Present Value of Minimum Lease Payments	$ 103,440

The estimated purchase cost of leased equipment is below the District's capitalization threshold. Leased equipment is not included in capital assets.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 20,621,222	$ 720,057	$ 395,444	$ 2,548,374

The details of the plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	70
Active employees	1,205
	1,275

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained with the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Tracy Educators Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $720,057 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $20,621,222 was measured as of June 30, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average
Discount rate	3.8 percent
Health care cost trend rates	4.0 percent for 2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 19,153,058
Service Cost	1,834,342
Interest	749,658
Benefit payments	(684,766)
Changes of assumptions	(431,070)
Net change in total OPEB liability	1,468,164
Balance at June 30, 2018	$ 20,621,222

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.8%)	$ 21,924,765
Current discount rate (3.8%)	20,621,222
1% increase (4.8%)	19,369,718

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	$ 19,459,269
Current healthcare cost trend rate (4%)	20,621,222
1% increase (5%)	21,837,580

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 720,057	$ -
Changes of assumptions	-	395,444
	$ 720,057	$ 395,444

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 684,431
2021	(35,626)
2022	(35,626)
2023	(35,626)
2024	(35,626)
Thereafter	(146,483)
	$ 395,444

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 15,000	$ -	$ -	$ -	$ 15,000
Stores inventories	249,055	-	-	50,367	299,422
Prepaid expenditures	562,863	-	-	-	562,863
Total Nonspendable	826,918	-	-	50,367	877,285
Restricted					
Legally restricted programs	5,047,376	-	-	-	5,047,376
Capital projects	-	38,045,216	3,673,963	8,679,184	50,398,363
Debt services	-	-	-	13,686,260	13,686,260
Total Restricted	5,047,376	38,045,216	3,673,963	22,365,444	69,131,999
Assigned					
Textbooks and technology	12,034,121	-	-	-	12,034,121
Adult education	432,801	-	-	-	432,801
Deferred maintenance	1,335,402	-	-	-	1,335,402
Other	28,390,881	-	-	2,181,783	30,572,664
Total Assigned	42,193,205	-	-	2,181,783	44,374,988
Unassigned					
Reserve for economic uncertainties	5,084,304	-	-	-	5,084,304
Total Unassigned	5,084,304	-	-	-	5,084,304
Total	$ 53,151,803	$ 38,045,216	$ 3,673,963	$ 24,597,594	$ 119,468,576

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Northern California Regional Liability Excess Fund (NorCal Relief) for building and personal property and SAFER for excess property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District participates in the San Joaquin County Schools Workers' Compensation (SJCSWC), an insurance purchasing pool. The intent of the SJCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SJCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SJCSWC. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund.” This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SJCSWC. Coverage provided by SJCSWC, SAFER, and NorCal Relief for property and liability and workers’ compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
San Joaquin County Schools Workers' Compensation	Workers' Compensation	$ 1,000,000
NorCal Relief	Liability	1,000,000
	Auto	1,000,000
	Property	250,250,000
SAFER	Excess Liability	1,000,000 - 25,000,000

Employee Medical Benefits

The District has contracted with the Central Valley Schools Health and Welfare Trusts to provide employee medical and surgical benefits. The Trust was established as a combined effort of District Superintendents and labor representatives of both the California Teachers Association (CTA) and the California School Employees Association (CSEA). The purpose of the trust is to pool the resources of smaller school districts to achieve health care benefits similar to those available to larger districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 111,093,896	$ 30,884,068	$ 14,170,139	$ 11,713,190
CalPERS	47,068,348	12,927,304	230,174	8,962,122
Total	$ 158,162,244	$ 43,811,372	$ 14,400,313	$ 20,675,312

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $11,179,372.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 111,093,896
State's proportionate share of the net pension liability associated with the District	63,606,451
Total	$174,700,347

The net pension liability was measured as of June 30, 2018. 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 school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1209 percent and 0.1256 percent, resulting in a net decrease in the proportionate share of 0.0048 percent.

For the year ended June 30, 2019, the District recognized pension expense of $11,713,190. In addition, the District recognized pension expense and revenue of $10,140,712 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,179,372	$ -
Net change in proportionate share of net pension liability	2,101,462	8,278,622
Differences between projected and actual earnings on pension plan investments	-	4,277,817
Differences between expected and actual experience in the measurement of the total pension liability	344,498	1,613,700
Changes of assumptions	17,258,736	-
Total	$ 30,884,068	$ 14,170,139

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 928,834
2021	(673,987)
2022	(3,588,922)
2023	(943,742)
Total	$ (4,277,817)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,688,324
2021	1,688,324
2022	1,688,325
2023	1,915,572
2024	3,386,384
Thereafter	(554,555)
Total	$ 9,812,374

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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 its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 an input 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, CalSTRS consulting actuary (Milliman) reviews the return assumption 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 for the year ended June 30,2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the 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 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP'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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Liability
1% decrease (6.10%)	$ 162,739,558
Current discount rate (7.10%)	111,093,896
1% increase (8.10%)	68,274,631

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.
The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $4,536,677.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $47,068,348. The net pension liability was measured as of June 30, 2018. 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 school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1765 percent and 0.1750 percent, resulting in a net increase in the proportionate share of 0.0015 percent.

For the year ended June 30, 2019, the District recognized pension expense of $8,962,122. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,536,677	$ -
Net change in proportionate share of net pension liability	219,366	230,174
Differences between projected and actual earnings on pension plan investments	386,066	-
Differences between expected and actual experience in the measurement of the total pension liability	3,085,628	-
Change of assumptions	4,699,567	
Total	$ 12,927,304	$ 230,174

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,404,207
2021	335,803
2022	(1,076,127)
2023	(277,817)
Total	$ 386,066

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 3,399,742
2021	3,285,169
2022	1,089,476
Total	$ 7,774,387

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15 %
Investment rate of return	7.15 %
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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 the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed Income	285%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 68,529,264
Current discount rate (7.15%)	47,068,348
1% increase (8.15%)	29,263,446

Tax Deferred Annuity

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the TDA as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.3 percent of an employee's gross earnings. There are no employee required contributions.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $5,870,483 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CallPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on-behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule.*

NOTE 13- COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
School Renovation		
Central Elementary School	$ 4,772,128	December 2019

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Joaquin County Schools Workers' Compensation public entity risk pool and San Joaquin County Schools Data Processing joint powers authority. The District pays an annual premium to the applicable entity for its workers' compensation coverage and information technology support. The relationships between the District, the pool, and the JPA are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2019, the District made payments of $1,864,072 to San Joaquin County Schools Workers' Compensation and $498,415 to San Joaquin County Schools Data Processing joint powers authority.

NOTE 15 – COMMUNITY FACILITIES DISTRICT (JPA)

The Tracy Area Public Facilities Financing Agency (Agency) was created pursuant to a Joint Powers Agreement between the City of Tracy, Tracy School District, Tracy Joint Union High School District, (Tracy School District and Tracy Joint Union High School District became the Tracy Unified School District effective July 1, 1997) and Jefferson School District for the purpose of forming a community facilities district under the provisions of the Mello-Roos Community Facility Act of 1982. The Agency has established Community Facilities District Number 1987-1 for the purpose of financing, constructing, and acquiring school facilities for each of the school districts and public facilities for the City. The Agency currently has no employees or property and equipment, and its powers are limited to implementation of the Mello-Roos financing plans contemplated in the Joint Powers Agreement.

The Agency and its Community Facilities District are controlled by a governing board consisting of seven members; two members of the Tracy City Council, three members of the School Board of the Tracy Unified School District, and two members of the School Board of the Jefferson School District. All such members of the Agency's governing board are independently elected to their respective member entities. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budget, sign contracts, levy taxes, and otherwise influence operations and account for fiscal matters, is exercised by the Agency's governing Board. Accordingly, the Agency is considered to be a separate reporting entity for financial reporting purposes and the June 30, 2019, audited accompanying financial information reflects only the assets, liabilities, fund balances, revenues and expenditures of the Agency.

Audited financial information for the Agency is summarized below:

	March 31, 2019* (Audited)
Total Assets	$ 2,042,841
Total Liabilities	13,950
Net Position	$ 2,028,891
Total Revenues and Other Sources	$ 1,757,292
Total Expenditures	1,642,752
Net Increase in Net Position	$ 114,540

* Most recent information available.

At June 30, 2019, the Agency had outstanding special tax bonds payable of $1,865,000 with maturities through 2021.

NOTE 16 – SUBSEQUENT EVENTS

The district issued General Obligation Bonds 2014 Election, Series 2019, in the amount of $23,000,000 on October 17, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

TRACY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 142,062,819	$ 139,775,724	$ 139,775,724	$ -
Federal sources	6,304,769	7,453,863	7,453,863	-
Other state sources	15,175,752	21,126,817	21,126,817	-
Other local sources	5,149,627	6,536,457	6,663,493	127,036
Total Revenues[1]	168,692,967	174,892,861	175,019,897	127,036
EXPENDITURES				
Current				
Certificated salaries	69,198,598	71,746,810	71,756,100	(9,290)
Classified salaries	23,618,521	24,207,973	24,209,274	(1,301)
Employee benefits	36,505,585	42,675,055	42,676,657	(1,602)
Books and supplies	16,900,777	7,805,179	7,805,179	-
Services and operating expenditures	17,847,864	19,317,344	19,313,844	3,500
Capital outlay	7,532,751	5,128,449	5,128,449	-
Other outgo	2,540,966	2,545,164	2,545,164	-
Debt service				
Debt service - principal	48,180	45,227	45,227	-
Total Expenditures[1]	174,193,242	173,471,201	173,479,894	(8,693)
Excess (Deficiency) of Revenues Over Expenditures	(5,500,275)	1,421,660	1,540,003	118,343
Other Financing Sources (Uses):				
Transfers in	10,000	4,000,000	-	(4,000,000)
Net Financing Sources (Uses)	10,000	4,000,000	-	(4,000,000)
NET CHANGE IN FUND BALANCES	(5,490,275)	5,421,660	1,540,003	(3,881,657)
Fund Balance - Beginning	51,611,800	51,611,800	51,611,800	-
Fund Balance - Ending	$ 46,121,525	$ 57,033,460	$ 53,151,803	$ (3,881,657)

[1] On behalf payments of $5,870,483 are included in the actual revenues and expenditures and in the budgeted amounts. In addition, due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, and are included in the original and final General Fund budgets. On-behalf payments of $4,270,229 for STRS and $156,663 for PERS related to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

Total OPEB Liability	2019	2018
Service Cost	$ 1,834,342	$ 1,785,248
Interest	749,658	627,805
Changes of assumptions	(431,070)	-
Benefit payments	(684,766)	(658,429)
Net change in total OPEB liability	1,468,164	1,754,624
Total OPEB Liability - beginning	19,153,058	17,398,434
Total OPEB Liability - ending	$ 20,621,222	$ 19,153,058
Covered payroll	$ 98,417,318	$ 93,654,188
District's total OPEB liability as a percentage of covered payroll	21%	20%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Actuarially determined contribution	Not Available	Not Available
Covered employee payroll	$ 98,417,318	$ 93,654,188

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.1209%	0.1256%
District's proportionate share of the net pension liability	$ 111,093,896	$ 116,192,524
State's proportionate share of the net pension liability associated with the District	63,606,451	68,738,516
Total	$ 174,700,347	$ 184,931,040
District's covered - employee payroll	65,260,441	68,142,627
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	170%	171%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.1765%	0.1750%
District's proportionate share of the net pension liability	$ 47,068,348	$ 41,774,500
District's covered - employee payroll	23,879,342	22,315,585
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	197%	187%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

2017	2016	2015
0.1218%	0.1397%	0.1324%
$ 98,505,968	$ 94,050,907	$ 77,395,022
56,077,690	49,742,562	46,734,456
$ 154,583,658	$ 143,793,469	$ 124,129,478
63,432,605	60,371,061	61,544,416
155%	156%	126%
70%	74%	77%
0.1772%	0.1750%	0.1826%
$ 35,001,190	$ 25,791,744	$ 20,733,500
21,276,798	19,464,814	19,069,634
165%	133%	109%
74%	79%	83%

See accompanying note to required supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 11,179,372	$ 9,301,542
Contributions in relation to the contractually required contribution	11,179,372	9,301,542
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	68,793,663	65,260,441
Contributions as a percentage of covered - employee payroll	16.25%	14.25%
CalPERS		
Contractually required contribution	$ 4,536,677	$ 3,651,878
Contributions in relation to the contractually required contribution	4,536,677	3,651,878
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	25,168,751	23,879,342
Contributions as a percentage of covered - employee payroll	18.03%	15.29%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

2017	2016	2015
$ 8,351,418	$ 6,681,371	$ 5,352,373
8,351,418	6,681,371	5,352,373
$ -	$ -	$ -
68,142,627	63,432,605	60,371,061
12.26%	10.53%	8.87%
$ 3,050,759	$ 2,495,988	$ 2,278,186
3,050,759	2,495,988	2,278,186
$ -	$ -	$ -
22,315,585	21,276,798	19,464,814
13.67%	11.73%	11.70%

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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 State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation.

Changes of Assumptions – There were no changes in assumptions since the previous valuation.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of the District's 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.

***Change in Benefit Terms* –** There were no changes in benefit terms since the previous valuation for both CalSTRS and CalPERS.

***Change of Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed Through the California Department of Education (CDE):				
Adult Education-Adult Basic Education and ESL	84.002A	14508	$ 70,839	$ -
Adult Education-Adult Secondary Education	84.002	13978	59,400	-
Special Education Cluster				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,444,065	-
Basic Local Assistance Entitlement, Part B, Section 611, Private School ISP's	84.027	10115	5,151	-
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	-	-
Preschool Grants, Part B, Section 619	84.173	13430	41,997	-
Subtotal Special Education Cluster			2,491,213	-
Elementary and Secondary Education Act				
Title I - Part A, Basic Grants Low-Income and Neglected	84.010	14329	3,458,535	3,389
Title II - Part A, Improving Teacher Quality Local Grants	84.367	14341	343,675	9,431
Title III - Limited English Proficient Student Program	84.365	14346	525,547	-
Title IV - Part A, Student Support and Academic Enrichment	84.287	unknown	14,804	
Technology Secondary II C, Section 131	84.048	14894	112,562	-
Indian Education	84.060	10011	26,668	-
Total U.S. Department of Education			7,103,243	12,820
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the California Department of Education:				
Child Nutrition Cluster				
National School Lunch Program	10.555	13524	3,042,388	-
Especially Needy Breakfast	10.553	13526	865,488	-
Commodities [1]	10.555	13755	198,643	
Subtotal Child Nutrition Cluster			4,106,519	-
Child and Adult Care Food Program	10.558	unknown	308,968	-
Total U.S. Department of Agriculture			4,415,487	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Medicaid Cluster				
Medi-Cal Administrative Activities (MAA)	93.778	Not applicable	318,424	-
Medi-Cal Billing Option	93.778	Not applicable	32,196	-
Subtotal Medicaid Cluster			350,620	-
Total U.S. Department of Health and Human Services			350,620	-
Total Expenditures of Federal Awards			$ 11,869,350	$ 12,820

[1] Not included in the financial statements.

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Tracy Unified School District was established July 1, 1997 and consists of an area comprising approximately 425 square miles. The District operates eight K-5 schools, four K-8 schools, two middle, two high schools, two continuation high schools, a community day school, and adult educational classes. . [There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Steve Abercrombie	President	2022
Brian Pekari	Vice President	2020
Jill Costa	Clerk	2020
Lori Souza	Member	2022
Jeremy Silcox	Member	2020
Ameni Alexander	Member	2022
Sharon Kaur	Member	2022

ADMINISTRATION

Dr. Brian R. Stephens	Superintendent
Dr. Casey Goodall	Associate Superintendent of Business Services
Dr. Sheila Harrison	Associate Superintendent of Educational Services
Tammy Jalique	Associate Superintendent of Human Resources
Reed Call	Director of Financial Services

See accompanying note to supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,551.93	3,557.95
Fourth through sixth	2,892.66	2,896.39
Seventh and eighth	2,072.14	2,072.56
Ninth through twelfth	5,392.00	5,379.09
Total Regular ADA	13,908.73	13,905.99
Extended Year Special Education		
Transitional kindergarten through third	5.72	5.72
Fourth through sixth	5.13	5.13
Seventh and eighth	1.87	1.87
Ninth through twelfth	5.62	5.62
Total Extended Year Special Education	18.34	18.34
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	7.37	6.39
Fourth through sixth	3.77	3.42
Seventh and eighth	7.47	6.57
Ninth through twelfth	15.74	13.77
Total Special Education, Nonpublic, Nonsectarian Schools	34.35	30.15
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.51	0.51
Fourth through sixth	0.43	0.43
Seventh and eighth	0.30	0.30
Ninth through twelfth	1.13	1.13
Total Special Education, Nonpublic, Nonsectarian Schools	2.37	2.37
Community Day School		
Seventh and eighth	4.23	3.84
Ninth through twelfth	12.51	10.91
Total Community Day School	16.74	14.75
Total ADA	13,980.53	13,971.60

See accompanying note to supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-2019 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,503	180	NA	In compliance
Grades 1 - 3					
Grade 1	50,400	52,200	180	NA	In compliance
Grade 2	50,400	52,200	180	NA	In compliance
Grade 3	50,400	52,302	180	NA	In compliance
Grades 4 - 6					
Grade 4	54,000	56,532	180	NA	In compliance
Grade 5	54,000	56,532	180	NA	In compliance
Grade 6	54,000	58,435	180	NA	In compliance
Grades 7 - 8					
Grade 7	54,000	58,365	180	NA	In compliance
Grade 8	54,000	58,365	180	NA	In compliance
Grades 9 - 12					
Grade 9	64,800	65,022	180	NA	In compliance
Grade 10	64,800	65,022	180	NA	In compliance
Grade 11	64,800	65,022	180	NA	In compliance
Grade 12	64,800	65,022	180	NA	In compliance

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020[1]	2019	2018	2017
GENERAL FUND [3]				
Revenues	$ 162,966,103	$ 175,019,897	$ 159,981,049	$ 155,891,576
Other sources and transfers in	10,000	-	16,865	35,878
Total Revenues and Other Sources	162,976,103	175,019,897	159,997,914	155,927,454
Expenditures	173,971,784	173,479,894	160,843,445	155,627,579
Total Expenditures and Other Uses	173,971,784	173,479,894	160,843,445	155,627,579
INCREASE (DECREASE) IN FUND BALANCE	$ (10,995,681)	$ 1,540,003	$ (845,531)	$ 299,875
ENDING FUND BALANCE	$ 42,156,122	$ 53,151,803	$ 51,611,800	$ 52,457,331
AVAILABLE RESERVES [2]	$ 5,178,617	$ 5,084,304	$ 4,705,300	$ 4,532,593
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3%	3%	3%	3%
LONG-TERM DEBT	$ 310,856,774	$ 317,251,060	$ 318,171,564	$ 260,393,142
K-12 AVERAGE DAILY ATTENDANCE AT P-2	13,900	13,981	14,223	14,421

The General Fund balance has increased by $694,472 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $10,995,681 (21 percent). For a district this size, the State recommends available reserves of at least percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $56,857,918 over the past two years.

Average daily attendance has decreased by 440 over the past two years. Additional decline of 81 ADA is anticipated during fiscal year 2019-2020.

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1 Budget 2020 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

3 3 General Fund amounts include activity related to the consolidation of the Adult Education Fund the Deferred Maintenance Fund and the Special Reserve For Other Than Capital Outlay Fund as required by GASB Statement No. 54.

4 On behalf payments have been included in the calculation of available reserves.

See accompanying note to supplementary information.

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

Name of Charter School	Charter School No.	Included in Audit Report
Discovery Charter	0355	No
Primary Charter	0607	No
Millennium Charter	0606	No

See accompanying note to supplementary information.

TRACY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 10,263	$ 1,518,789	$ 8,271,171
Receivables	56,748	507,285	61,243
Due from other funds	-	4,136	346,770
Stores inventories	-	50,367	-
Total Assets	$ 67,011	$ 2,080,577	$ 8,679,184
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,995	$ 104,132	$ -
Due to other funds	12,146	330,215	-
Unearned revenue	25,674	-	-
Total Liabilities	41,815	434,347	-
Fund Balances:			
Nonspendable	-	50,367	-
Restricted	-	-	8,679,184
Assigned	25,196	1,595,863	-
Total Fund Balance	25,196	1,646,230	8,679,184
Total Liabilities and Fund Balances	$ 67,011	$ 2,080,577	$ 8,679,184

See accompanying note to supplementary information.

Special Reserve Capital Outlay Fund	TSFFA Bond Interest and Redemption Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 557,791	$ 3,435,690	$ 10,250,570	$ 24,044,274
2,933	-	-	628,209
-	-	-	350,906
-	-	-	50,367
$ 560,724	$ 3,435,690	$ 10,250,570	$ 25,073,756
$ -	$ -	$ -	$ 108,127
-	-	-	342,361
-	-	-	25,674
-	-	-	476,162
-	-	-	50,367
-	3,435,690	10,250,570	22,365,444
560,724	-	-	2,181,783
560,724	3,435,690	10,250,570	24,597,594
$ 560,724	$ 3,435,690	$ 10,250,570	$ 25,073,756

See accompanying note to supplementary information.

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Building Fund
REVENUES			
Federal sources	$ -	$ 4,182,397	-
Other state sources	270,222	412,006	-
Other local sources	7,702	1,240,314	1,069,140
Total Revenues	277,924	5,834,717	1,069,140
EXPENDITURES			
Current			
Instruction	185,373	-	-
Instruction-related activities:			
Supervision of instruction	17,666	-	-
School site administration	65,636	-	-
Pupil services:			
Food services	-	6,057,095	-
Administration:			
All other administration	12,145	279,958	-
Plant services	-	117,191	-
Enterprise services	-	(9,310)	-
Debt service:			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	280,820	6,444,934	-
Excess (Deficiency) of Revenues Over Expenditures	(2,896)	(610,217)	1,069,140
Other Financing Sources (Uses):			
Other sources	-	-	10,879
Transfers out	-	-	(13,285,000)
Net Financing Sources (Uses)	-	-	(13,274,121)
NET CHANGE IN FUND BALANCES	(2,896)	(610,217)	(12,204,981)
Fund Balance - Beginning	28,092	2,256,447	20,884,165
Fund Balance - Ending	$ 25,196	$ 1,646,230	$ 8,679,184

See accompanying note to supplementary information.

Special Reserve Capital Outlay Fund	TSFFA Bond Interest and Redemption Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 760,682	$ -	$ 4,943,079
-	-	59,983	742,211
13,088	-	10,042,437	12,372,681
13,088	760,682	10,102,420	18,057,971
-	-	-	185,373
-	-	-	17,666
-	-	-	65,636
-	-	-	6,057,095
-	-	-	292,103
-	-	-	117,191
-	-	-	(9,310)
-	-	2,738,000	2,738,000
-	(11,887)	4,699,752	4,687,865
-	(11,887)	7,437,752	14,151,619
13,088	772,569	2,664,668	3,906,352
-	-	-	10,879
-	-	-	(13,285,000)
-	-	-	(13,274,121)
13,088	772,569	2,664,668	(9,367,769)
547,636	2,663,121	7,585,902	33,965,363
$ 560,724	$ 3,435,690	$ 10,250,570	$ 24,597,594

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ fromc amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides 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. The reconciling amounts consist primarily of funds that in the current period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number(s)	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 12,396,942
Interest subsidy for Quality School Construction Bonds	N/A	(760,682)
Child and adult food program revenue exceeded expenditures	93.778	(31,392)
Medi-Cal Administrative Activities program expenditures exceeded revenue	10.555	44,993
Medi-Cal Billing Option program expenditures exceeded revenue		20,846
Commodities is not included in recorded revenue but is included in expenditures	10.550	198,643
Total Schedule of Expenditures of Federal Awards		$ 11,869,350

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. 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 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

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.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the School District and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

INDEPENDENT AUDITOR'S REPORTS

EideBailly
CPAs & BUSINESS ADVISORS

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*

Governing Board
Tracy Unified School District
Tracy, 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 the governmental activities, each major fund, and the aggregate remaining fund information of Tracy 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 Tracy Unified School District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tracy Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tracy Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tracy Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tracy Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

San Ramon, California
December 16, 2019

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Tracy Unified School District
Tracy, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the 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 Tracy Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Tracy Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Tracy Unified School District's compliance.

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Tracy Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tracy Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tracy Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

San Ramon, California
December 16, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Tracy Unified School District
Tracy, California

Report on State Compliance

We have audited Tracy Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Tracy Unified School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Tracy Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Ttracy Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Tracy Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Tracy Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the Tracy Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
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	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Middle or Early College High Schools Program; therefore, we did not perform any procedures related to Middle or Early College High Schools Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer an After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

The District does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Eide Bailly LLP

San Ramon, California
December 16, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TRACY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance	No

Identification of major Federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I - Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Finding

2018-001 Code 30000 – Internal Control
Associated Student Body
Significant Deficiency

Finding
During the review of ASB accounts at Poet Christian School, West High School and Stein High School, we noted conditions indicating that operating controls are not functioning at their optimum levels. In particular, we noted the following:

Poet Christian School

- 1 out of 12 cash collections reviewed was not deposited timely. Days between receipt and deposit was 26 days.
- 1 out of 1 fundraiser reviewed included calculation errors on the revenue potential form.

West High School

- 15 out of 15 daily student store sales reports reviewed had no reconciliation of cash collected to items sold. In addition, no overage/shortage explanations were documented.
- 3 out of 15 daily student store sales reports reviewed did not have the required two review signatures on the coin and currency count form.
- The one student store inventory count performed during the year, had no documented comparison to the physical inventory records and no signatures indicating who performed the count.
- 7 out of 13 fundraisers reviewed did not include overage/shortage explanations on the ticket sales form.
- 2 out of 3 cash collections reviewed were not deposited timely. Days between receipt and deposit were from 13 to 21 days.

Stein High School

- 1 out of 1 fundraiser reviewed had an incomplete revenue potential form. There was no documentation of actual revenue or projected expense or overage/ shortage explanations.

Recommendation
To ensure the safeguarding of cash receipts, we recommend that District management remind site personnel of the best practice guideline for depositing cash collections. Ten days between receipt and deposit is considered timely. We also recommend that District management encourage site personnel to complete revenue potential forms for all fundraisers, complete an analysis of tickets sold to funds collected for all ticketed events and complete student store daily sales forms to verify completeness of cash receipts. The District should also consider periodically reviewing the progress and improvement of these issues.

Current Status
Implemented.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

State Awards Finding

2018-002 Code 40000 – State Compliance
Unduplicated Local Control Funding Formula Pupil Counts
Significant Deficiency

Finding
During the testing of unduplicated local control funding formula pupil counts, we identified four students whose English Learner designation, based on supporting documentation, had been properly Reclassified/Redesignated Fluent English Proficient (RFEP) in the District's attendance system but continued to be reported on the certified "1.18-FRMP/PM/English Learner/Foster Youth – Student List as English Learner.

Recommendation
We recommend District management review policies and procedures with personnel responsible for monitoring the accurate reporting of student designations on the certified "1.18-FRMP/PM/English Learner/Foster Youth – Student List.

Current Status
Implemented.