Financial Statements
June 30, 2020

Tracy Unified School District

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the 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 Tracy Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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 Tracy Unified School District, as of June 30, 2020, 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 information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, 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 Tracy Unified School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, and the other supplementary information as listed in the table of contents, are 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 a report dated March 31, 2021 on our consideration of Tracy Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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

San Ramon, California
March 31, 2021

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, 2020, with comparative information for the year ended June 30, 2019. 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. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term liabilities). 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 Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* 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 the 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.

FINANCIAL HIGHLIGHTS

Total net position was $198,722,046. As a result of increasing retirement contribution rates, the District's net position decreased by $2.0 million or 1%

- Total governmental fund revenues were $200.5 million. General Fund revenue accounted for $170.9 million or 85.2% of total revenues.

- The District had $202.2 million in government-wide expenses; $39.8 million of these expenses were offset by program specific charges for services and grants and/or contributions.

- The LCFF consists of base, supplemental, and concentration funding. Base funding provides consistent per student funding rates for all students state-wide using grade level groupings. Additional funding is provided for students identified as higher need: low socio-economic, English learners, homeless, and foster youth. Supplemental funding provides an additional 20% of the base funds for the unduplicated count of students who are identified in these higher need categories. Concentration funding is provided to districts exceeding 55% of their population identified in the unduplicated pupil count. Concentration grant funding provides an additional 50% of the base funds for the percentage of students that exceed 55%. For the 2019-20 school year, Tracy Unified's unduplicated count of students was 61.03%.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $198.7 million for the fiscal year ended June 30, 2020. Of this amount, ($113.2) 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

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	$ 171,381,831	$ 129,788,366
Capital assets	367,687,094	372,735,282
Total assets	539,068,925	502,523,648
Deferred outflows of resources	44,443,972	44,531,429
Liabilities		
Current liabilities	20,979,710	12,815,090
Long-term liabilities	342,513,940	317,251,060
Total liabilities	363,493,650	330,066,150
Deferred inflows of resources	21,297,201	16,231,716
Net Position		
Net investment in capital assets	219,540,803	232,833,783
Restricted	92,393,508	61,372,306
Unrestricted	(113,212,265)	(93,448,878)
Total net position	$ 198,722,046	$ 200,757,211

The ($113.2) 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 21 percent ($113.2) million compared to ($93.4) 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 on page 14. 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

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 4,279,514	$ 6,353,897
Operating grants and contributions	28,194,030	31,332,541
Capital grants and contributions	7,323,393	430,730
General revenues		
Federal and State aid not restricted	107,226,745	108,873,135
Property taxes	50,500,958	47,231,531
Other general revenues	2,676,076	5,157,262
Total revenues	200,200,716	199,379,096
Expenses		
Instruction-related	135,934,284	146,405,792
Pupil services	19,325,280	20,201,814
Administration	8,596,431	7,709,484
Plant services	24,646,594	19,194,069
Other	13,733,292	9,428,894
Total expenses	202,235,881	202,940,053
Change in net position	$ (2,035,165)	$ (3,560,957)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $202.2 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $50.5 million because the cost was paid by those who benefited from the programs ($4.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($28.2 million). We paid for the remaining "public benefit" portion of our governmental activities with $107.2 million in Federal and State funds, and with 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: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all 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

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 135,934,284	$ 146,405,792	$ (109,426,871)	$ (124,687,506)
Pupil services	19,325,280	20,201,814	(13,271,338)	(13,110,466)
Administration	8,596,431	7,709,484	(7,913,798)	(6,753,139)
Plant services	24,646,594	19,194,069	(24,304,706)	(18,662,748)
All other services	13,733,292	9,428,894	(7,522,231)	(1,609,026)
Total	$ 202,235,881	$ 202,940,053	$ (162,438,944)	$ (164,822,885)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $152.9 million, which is an increase of $33.4 million from last year (Table 4).

Table 4

		Balances and Activity		
Governmental Fund	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	$ 53,151,803	$ 170,887,801	$ 166,803,273	$ 57,236,331
Child Development	25,196	346,181	324,321	47,056
Cafeteria	1,646,230	4,799,578	5,553,192	892,616
Building	8,679,184	24,889,007	26,322,193	7,245,998
Capital Facilities	38,045,216	3,958,095	11,709	41,991,602
County School Facilities	3,673,963	33,645,585	4,962,717	32,356,831
Special Reserve Fund for Capital Outlay Projects	560,724	9,828	-	570,552
Bond Interest and Redemption	10,250,570	13,431,075	13,539,416	10,142,229
Debt Service Fund for Blended Component Units	3,435,690	702,332	1,757,166	2,380,856
Total	$ 119,468,576	$ 252,669,482	$ 219,273,987	$ 152,864,071

The primary reasons for these increases/decreases are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $53.2 million to $57.2 million. This increase is due to:
    a. Increase in special education funding and STEM funding.
    b. Increase in federal and state revenues for COVID 19 relief.
2. Our County School Facilities Fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants. The fund balance for the School Facilities Fund increased from $3.7 million to $32.4 million. This increase is due to:
    a. Transfer of bond proceeds from the Building Fund.
    b. School Facilities Apportionments.
3. The debt service funds decreased $1.2 million due to bond redemptions and interest payments.

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 23, 2020. (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 71).

There are variations between the original and final budget amounts and between the final budget and actual results.

- Significant revenue revisions made to the 2019-20 Budget were due to:
  - The District received more Special Education revenue than originally projected.
  - The District received STEM grant and donation funds which were not anticipated.
- Budgeted expenditures decreased due to:
  - The District originally budgeted for an anticipated textbook adoption which did not happen.
  - Due to the COVID19 and related school closings there were less expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $367.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of just under $5 million, or 1.4 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 34,423,346	$ 61,481,987
Buildings and imporvements	328,528,622	306,854,504
Furniture and equipment	3,270,455	3,116,415
Vehicles	1,464,671	1,282,376
Total	$ 367,687,094	$ 372,735,282

This year's additions of $7.0 included several vehicles, cafeteria equipment and classroom equipment such as computers. We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Several capital projects are planned for the 2020-2021 year. We anticipate capital additions to be $7.0 million for the 2020-2021 year.

Long-Term Liabilities

At the end of this year, the District had $342.5 million in long-term obligations outstanding versus $317.3 million last year, an increase of 8 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	$ 148,659,823	$ 130,764,048
Unamortized premiums	10,400,742	7,598,052
Capital leases	164,964	103,440
Compensated absences	12,127	2,054
Total OPEB liability	18,215,398	20,621,222
Aggregate net pension liability	165,060,886	158,162,244
Total	$ 342,513,940	$ 317,251,060

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 Notes for more information about the TSFFA. Individually prepared financial statements for the TSFFA may be obtained through the business office of the District.

At year-end, the District has a net pension liability of $165.1 million versus 158.2 million last year, an increase of 6.9 million, or 4.4 percent.

Other liabilities include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2019-2020 ARE NOTED BELOW:

- Number of student expulsion in the district was reduced
- Continue successful Summer Bridge program
- Completed over 200 home visits to reengage students back to school while in Distance Learning
- Cleared the digital divide in TUSD by purchasing laptops for every student
- Attendance rates have maintained over 95% while in Distance Learning
- Deferred maintenance projects identified and completed
- District remains fiscally strong.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2020-2021 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

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 Assistant Superintendent, Business Services, at Tracy Unified School District, 1875 West Lowell Avenue, Tracy, California, 95376 or e-mail at rpecot@tusd.net.

	Governmental Activities
Assets	
Deposits and investments	$ 142,755,791
Receivables	27,957,155
Prepaid items	279,271
Stores inventories	389,614
Capital assets not depreciated	34,423,346
Capital assets, net of accumulated depreciation	333,263,748
Total assets	539,068,925
Deferred Outflows of Resources	
postemployment benefits (OPEB) liability	1,043,121
Deferred outflows of resources related to pensions	43,400,851
Total deferred outflows of resources	44,443,972
Liabilities	
Accounts payable	17,560,074
Interest payable	2,461,950
Unearned revenue	957,686
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	6,567,603
Long-term liabilities other than OPEB and pensions ude in more than one year	152,670,053
Total other postemployment benefits liabilities	18,215,398
Aggregage net pension liabilities	165,060,886
Total liabilities	363,493,650
Deferred Inflows of Resources	
Deferred charge on refunding	1,310,684
Deferred inflows of resources related to OPEB	5,404,865
Deferred inflows of resources related to pensions	14,581,652
Total deferred inflows of resources	21,297,201
Net Position	
Net investment in capital assets	219,540,803
Restricted for	
Debt service	12,523,085
Capital projects	74,348,433
Educational programs	5,521,990
Unrestricted	(113,212,265)
Total net position	$ 198,722,046

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, Changes in Net Position: Total Governmental Activities
Governmental Activities					
Instruction	$110,368,130	$ 51,982	$ 15,060,578	$ 7,323,393	$ (87,932,177)
Instruction-related activities					
Supervision of instruction	6,918,830	37,387	2,524,365	-	(4,357,078)
Instructional library, media, and technology	5,017,551	-	123,811	-	(4,893,740)
School site administration	13,629,773	3,026	1,382,871	-	(12,243,876)
Pupil services					
Home-to-school transportation	5,600,606	-	19,782	-	(5,580,824)
Food services	5,444,852	939,892	3,388,481	-	(1,116,479)
All other pupil services	8,279,822	-	1,705,787	-	(6,574,035)
Administration					
All other administration	8,596,431	40,208	642,425	-	(7,913,798)
Plant services	24,646,594	25,756	316,132	-	(24,304,706)
Ancillary services	1,508,096	-	79,566	-	(1,428,530)
Community services	147,076	-	-	-	(147,076)
Interest on long-term liabilities	9,622,745	-	-	-	(9,622,745)
Other outgo	2,455,375	3,181,263	2,950,232	-	3,676,120
Total governmental activities	$202,235,881	$ 4,279,514	$ 28,194,030	$ 7,323,393	(162,438,944)
General Revenues and Subventions					
Property taxes, levied for general purposes					39,022,912
Property taxes, levied for debt service					10,717,712
Taxes levied for other specific purposes					760,334
Federal and State aid not restricted to specific purposes					107,226,745
Interest and investment earnings					906,429
Miscellaneous					1,769,647
Subtotal, general revenues					160,403,779
Change in Net Position					(2,035,165)
Net Position - Beginning					200,757,211
Net Position - Ending					$ 198,722,046

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	$ 46,948,811	$ 6,117,913	$ 41,860,644	$ 33,781,412	$ 14,047,011	$ 142,755,791
Receivables	25,246,887	20,981	135,634	2,319,471	234,182	27,957,155
Due from other funds	284,045	1,107,104	-	27,984	59,790	1,478,923
Prepaid expenditures	279,271	-	-	-	-	279,271
Stores inventories	322,351	-	-	-	67,263	389,614
Total assets	$ 73,081,365	$ 7,245,998	$ 41,996,278	$ 36,128,867	$ 14,408,246	$ 172,860,754
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 13,737,828	$ -	$ 4,676	$ 3,772,036	$ 45,534	$ 17,560,074
Due to other funds	1,161,634	-	-	-	317,289	1,478,923
Unearned revenue	945,572	-	-	-	12,114	957,686
Total liabilities	15,845,034	-	4,676	3,772,036	374,937	19,996,683
Fund Balances						
Nonspendable	616,622	-	-	-	67,263	683,885
Restricted	5,521,990	7,245,998	41,991,602	32,356,831	12,523,085	99,639,506
Assigned	46,154,518	-	-	-	1,442,961	47,597,479
Unassigned	4,943,201	-	-	-	-	4,943,201
Total fund balances	57,236,331	7,245,998	41,991,602	32,356,831	14,033,309	152,864,071
Total liabilities and fund balances	$ 73,081,365	$ 7,245,998	$ 41,996,278	$ 36,128,867	$ 14,408,246	$ 172,860,754

Total Fund Balance - Governmental Funds		$ 152,864,071
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	$ 538,550,281	
Accumulated depreciation is	(170,863,187)	
Net capital assets		367,687,094
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,461,950)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits	1,043,121	
Net pension obligation	43,400,851	
Total deferred outflows of resources		44,443,972
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Debt refundings	(1,310,684)	
Other postemployment benefits	(5,404,865)	
Net pension obligation	(14,581,652)	
Total deferred inflows of resources		(21,297,201)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(165,060,886)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(18,215,398)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	$(143,515,899)	
Capital leases payable	(164,964)	
Compensated absences (vacations)	(12,127)	
Bond Premium	(10,400,742)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(5,143,924)	
Total long-term liabilities		(159,237,656)
Total net position - governmental activities		$ 198,722,046

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local Control Funding Formula	$ 141,834,018	$ -	$ -	$ -	$ -	$ 141,834,018
Federal sources	6,207,480	-	-	-	4,201,611	10,409,091
Other State sources	15,555,167	-	-	7,062,355	582,430	23,199,952
Other local sources	7,291,136	1,692,237	3,958,095	261,037	11,839,900	25,042,405
Total revenues	170,887,801	1,692,237	3,958,095	7,323,392	16,623,941	200,485,466
Expenditures						
Current						
Instruction	100,704,439	-	-	-	201,009	100,905,448
Instruction-related activities						
Supervision of instruction	6,434,441	-	-	-	39,056	6,473,497
Instructional library, media, and technology	5,296,782	-	-	-	-	5,296,782
School site administration	12,596,133	-	-	-	72,080	12,668,213
Pupil services						
Home-to-school transportation	5,100,941	-	-	-	-	5,100,941
Food services	-	-	-	-	5,210,456	5,210,456
All other pupil services	8,162,605	-	-	-	-	8,162,605
Administration						
All other administration	6,663,495	-	-	-	224,552	6,888,047
Plant services	16,458,559	-	11,709	-	130,360	16,600,628
Ancillary services	1,428,596	-	-	-	-	1,428,596
Community services	142,174	-	-	-	-	142,174
Facility acquisition and construction	907,561	-	-	4,962,717	-	5,870,278
Debt service						
Principal	45,591	-	-	-	5,834,000	5,879,591
Interest and other	-	-	-	-	10,328,132	10,328,132
Total expenditures	163,941,317	-	11,709	4,962,717	22,039,645	190,955,388
Excess (Deficiency) of Revenues Over Expenditures	6,946,484	1,692,237	3,946,386	2,360,675	(5,415,704)	9,530,078
Other Financing Sources (Uses)						
Transfers in	-	346,770	-	26,322,193	59,811	26,728,774
Other sources	-	22,850,000	-	-	3,470,792	26,320,792
Transfers out	(406,581)	(26,322,193)	-	-	-	(26,728,774)
Other uses	(2,455,375)	-	-	-	-	(2,455,375)
Net Financing Sources (Uses)	(2,861,956)	(3,125,423)	-	26,322,193	3,530,603	23,865,417
Net Change in Fund Balances	4,084,528	(1,433,186)	3,946,386	28,682,868	(1,885,101)	33,395,495
Fund Balance - Beginning	53,151,803	8,679,184	38,045,216	3,673,963	15,918,410	119,468,576
Fund Balance - Ending	$ 57,236,331	$ 7,245,998	$ 41,991,602	$ 32,356,831	$ 14,033,309	$ 152,864,071

Total Net Change in Fund Balances - Governmental Funds		$ 33,395,495
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 expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (10,671,911)	
Capital outlays	6,971,955	
Net expense adjustment		(3,699,956)
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(729,775)
Gain on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(1,348,232)
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 liabilities in the Statement of Net Position.		(107,874)
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). This amount is the difference between vacation earned and used.		(10,073)

Tracy Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2020

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.	$ (7,490,502)
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.	(2,280,533)
Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(23,000,000)
Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	125,275
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(3,320,792)
Premium amortization	518,102
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.	
General obligation bonds	5,834,000
Interest on long-term liabilities 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 accretes or accrues, regardless of when it is due.	33,350
Change in net position of governmental activities	$ (2,035,165)

	Agency Funds
Assets	
Deposits and investments	$ 1,209,311
Liabilities	
Due to student groups	$ 1,209,311

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Tracy Unified School District (the District) was organized/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 described below 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, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units 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 Charters for Discovery Charter School, Primary Charter School and Millennium Charter School pursuant to *Education Code* Section 47605. The Charter Schools are operated by Tracy Learning Center is not considered a component unit of 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. Specifically, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $11,702,428.

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.

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 School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 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. Greene School Facilities Act of 1998 (Education Code Section 17070 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 than those financed by proprietary funds and trust funds).

- **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 liabilities.

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

- **Debt Service Fund for Blended Component Units** 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, of the District and for each governmental function, and excludes fiduciary activity. 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. Eliminations have been made to minimize the double counting of internal activities.

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 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 balances 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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 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.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 funds when consumed rather than when purchased.

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 acquisition 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/infrastructure, 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 columns of the statement of net position.

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 certificated 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 Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide 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 liabilities 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 liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the 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, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. 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 in the period the bonds are issued.

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. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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 charges on refunding of debt, 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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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 the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, 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 resolutions 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 chief business officer/assistant 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 has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-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 deferred outflows of resources, and liabilities and deferred inflows of resources. 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. The government-wide financial statements report $92,393,508 of restricted net position, all of which is restricted by enabling legislation.

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.

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.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)

- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

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, 2019 due to the implementation of GASB Statements No. 95 previously discussed. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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. The effects of this change on the District's financial statements have not yet been determined.

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. The effects of this change on the District's financial statements have not yet been determined.

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. The effects of this change on the District's financial statements have not yet been determined.

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. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District’s financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District’s financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 142,755,791
Fiduciary funds	1,209,311
Total deposits and investments	$ 143,965,102

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 4,498,960
Cash in revolving	15,000
Investments	139,451,142
Total deposits and investments	$ 143,965,102

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

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	Reported Amount	Weighted Average Maturity in Days
County Treasury Investment Pool	$ 139,451,142	457

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2020.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code.

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, 2020, the District's bank balance of approximately $1,000,000 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.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Uncategorized
County Treasury Investment Pool	$ 139,451,142	$ 139,451,142

Note 4 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Funds	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	$ 3,583,744	$ -	$ -	$ -	$ 174,373	$ 3,758,117
State Government						
LCFF apportionment	18,361,927	-	-	2,209,734	-	20,571,661
Categorical aid	2,089,042	-	-	-	54,839	2,143,881
Lottery	334,633	-	-	-	-	334,633
Other State	117	-	-	-	-	117
Local Government						
Interest	189,823	20,981	134,765	109,737	4,970	460,276
Other local sources	687,601	-	869	-	-	688,470
Total	$ 25,246,887	$ 20,981	$ 135,634	$ 2,319,471	$ 234,182	$ 27,957,155

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 27,124,015	$ -	$ -	$ 27,124,015
Construction in progress	34,357,972	3,271,105	(30,329,746)	7,299,331
Total capital assets not being depreciated	61,481,987	3,271,105	(30,329,746)	34,423,346
Capital assets being depreciated				
Land improvements	24,617,464	7,600	-	24,625,064
Buildings and improvements	428,623,582	32,902,113	(3,264,318)	458,261,377
Furniture and equipment	10,492,688	930,936	-	11,423,624
Vehicles	9,626,923	189,947	-	9,816,870
Total capital assets being depreciated	473,360,657	34,030,596	(3,264,318)	504,126,935
Total capital assets	534,842,644	37,301,701	(33,594,064)	538,550,281
Accumulated depreciation				
Land improvements	(16,618,394)	(946,715)	-	(17,565,109)
Buildings and improvements	(129,768,148)	(8,940,648)	1,916,086	(136,792,710)
Furniture and equipment	(7,376,273)	(776,896)	-	(8,153,169)
Vehicles	(8,344,547)	(7,652)	-	(8,352,199)
Total accumulated depreciation	(162,107,362)	(10,671,911)	1,916,086	(170,863,187)
Governmental activities capital assets, net	$ 372,735,282	$ 26,629,790	$ (31,677,978)	$ 367,687,094

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

Governmental Activities	
Instruction	$ 1,939,506
Instructional library, media, and technology	399,662
School site administration	72,947
Food services	79,412
All other pupil services	125,472
All other administration	227,722
Plan Maintenance and Operations	7,827,190
Total depreciation expenses governmental activities	$ 10,671,911

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, 2020, between major and non-major governmental funds are as follows:

	Due From				
Due To	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,107,104	$ 27,984	$ 26,546	$ 1,161,634
Non-Major Governmental Funds	284,045	-	-	33,244	317,289
Total	$ 284,045	$ 1,107,104	$ 27,984	$ 59,790	$ 1,478,923

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

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

	Transfer From		
Transfer To	General Fund	Building Fund	Total
Building Fund	$ 346,770	$ -	$ 346,770
County School Facilities Fund	-	26,322,193	26,322,193
Non-Major Governmental Funds	59,811	-	59,811
Total	$ 406,581	$ 26,322,193	$ 26,728,774

The General Fund transferred to the Child Development Fund for expenditures.	$ 59,811
The General Fund transferred to the Building Fund for construction expenditures reimbursement.	346,770
The Building Fund transferred to the County School Facilities fund for bond proceeds	23,511,237
The Building Fund transferred to the County School Facilities Fund for construction expenditures reimbursement.	2,810,956
Total	$ 26,728,774

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.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 5,534,576	$ 4,676	$ 3,772,036	$ 22,403	$ 9,333,691
State LCFF apportionment	6,947,487	-	-	-	6,947,487
Salaries and benefits	1,255,765	-	-	23,131	1,278,896
Total	$ 13,737,828	$ 4,676	$ 3,772,036	$ 45,534	$ 17,560,074

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 727,719	$ -	$ 727,719
State categorical aid	200,148	12,114	212,262
Other local	17,705	-	17,705
Total	$ 945,572	$ 12,114	$ 957,686

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 130,764,048	$ 23,729,775	$ (5,834,000)	$ 148,659,823	$ 5,589,000
Unamortized debt premiums	7,598,052	3,320,792	(518,102)	10,400,742	850,181
Capital leases	103,440	107,874	(46,350)	164,964	128,422
Compensated absences	2,054	10,073	-	12,127	-
Total	$ 138,467,594	$ 27,168,514	$ (6,398,452)	$ 159,237,656	$ 6,567,603

General obligation bonds are issued to pay for facilities construction and payments are made from the Bond, Interest, and Redemption Fund. Capital lease payments for equipment purchases are made from the General Fund. Compensated absence payments are made from the fund for which the employee works.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
April 2009	8/1/2033	3.00%-6.00%	$12,000,000	$ 245,000	$ -	$ -	$ (245,000)	$ -
April 2011	8/1/2026	3.00%	16,000,000	11,920,000	-		(829,000)	11,091,000
April 2011	8/1/2041	6.60%-8.54%	5,999,637	667,990	-	57,426	-	725,416
April 2011	8/1/2041	6.60%-8.54%	5,030,647	9,116,058	-	672,349	-	9,788,407
April 2014	8/1/2032	3.00%-5.00%	27,460,000	23,030,000	-	-	(1,095,000)	21,935,000
February 2015	8/1/2029	2.00%-5.00%	14,910,000	13,420,000	-	-	(735,000)	12,685,000
July 2015	8/1/2041	3.25%- 4.00%	9,100,000	8,335,000	-	-	(50,000)	8,285,000
July 2015	8/1/2040	4.00%-5.00%	29,000,000	22,220,000	-	-	(120,000)	22,100,000
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	-	-	(2,760,000)	27,240,000
September 2019	8/1/2030	1.92%-4.00%	23,000,000	-	23,000,000	-	-	23,000,000
				$130,764,048	$23,000,000	$ 729,775	$ (5,834,000)	$ 148,659,823

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year		Principal	Accreted Interest	Interest to Maturity	Total
2021		$ 8,171,000	$ -	$ 5,395,999	$ 13,566,999
2022		5,364,000	-	5,252,008	10,616,008
2023		5,936,000	-	5,018,358	10,954,358
2024		6,557,000	-	4,753,488	11,310,488
2025		7,228,000	-	4,463,488	11,691,488
2026-2030		43,539,250	3,301,785	17,263,354	64,104,389
2031-2035		26,735,958	6,077,851	10,067,706	42,881,515
2036-2040		24,785,678	11,179,127	5,615,322	41,580,127
2041-2043		15,199,013	4,816,857	795,388	20,811,258
Total		143,515,899	$ 25,375,620	$ 58,625,111	$ 227,516,630
	Accretions to date	5,143,924			
	Total	$ 148,659,823			

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. During the year, amounts held in escrow were used to pay out the 2008 Election, Series 2009 bonds. The balance in the escrow account at June 30, 2020 was $1,326,511.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $12,127.

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:

	Equipment
Balance, July 1, 2019	$ 103,440
Additions	107,874
Payments	(46,350)
Balance, July 1, 2020	$ 164,964

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 128,422
2022	27,971
2023	11,771
2024	1,902
Total	170,066
Less amount representing interest	(5,102)
Present value of minimum lease payments	$ 164,964

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

Note 10 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	$ 17,392,076	$ 1,043,121	$ 5,404,865	$ 1,457,211
Medicare Premium Payment (MPP) Program	823,322	-	-	823,322
Total	$ 18,215,398	$ 1,043,121	$ 5,404,865	$ 2,280,533

The details of each plan are as follows:

Retiree Health 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.

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	79
Active employees	1,171
Total	1,250

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 within 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 measurement period of June 30, 2020, the District paid $767,193 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $17,392,076 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 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, including inflation
Investment rate of return	3.50	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00	percent for 2019

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 2009 CalPERS Mortality for Active 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, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 20,621,222
Service cost	1,884,786
Interest	804,894
Differences between expected and actual experience	(44,305)
Experience (Gains)/Losses	(5,455,251)
Changes of assumptions or other inputs	300,787
Benefit payments	(720,057)
Net change in total OPEB liability	(3,229,146)
Balance, June 30, 2020	$ 17,392,076

Changes of assumptions and other inputs reflect a change in the discount rate from 3.8 percent in 2019 to 3.5 percent in 2020.

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 one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 18,427,681
Current discount rate (3.5%)	17,392,076
1% increase (4.5%)	16,414,402

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 one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3%)	$ 16,745,643
Current healthcare cost trend rate (4%)	17,392,076
1% increase (5%)	17,847,232

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

For the year ended June 30, 2020, the District recognized OPEB expense of $1,457,211. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 767,193	$ -
Differences between expected and actual experience	-	5,045,047
Changes of assumptions	275,928	359,818
Total	$ 1,043,121	$ 5,404,865

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
2021	$ 301,917
2022	(465,276)
2023	(465,276)
2024	(465,276)
2025	(646,964)
Thereafter	(2,620,869)
Total	$ (4,361,744)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $823,322 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.2211 percent, and 0.2170 percent, resulting in a net increase in the proportionate share of 0.0041 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $823,322.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB 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 OPEB Liability
1% decrease (2.50%)	$ 898,433
Current discount rate (3.50%)	823,322
1% increase (4.50%)	754,262

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 771,699
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	823,322
1% increase (4.7% Part A and 5.1% Part B)	926,438

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 15,000	$ -	$ -	$ -	$ -	$ 15,000
Stores inventories	322,351	-	-	-	67,263	389,614
Prepaid expenditures	279,271	-	-	-	-	279,271
Total nonspendable	616,622	-	-	-	67,263	683,885
Restricted						
Legally restricted programs	5,521,990	-	-	-	-	5,521,990
Capital projects	-	7,245,998	41,991,602	32,356,831	-	81,594,431
Debt services	-	-	-	-	12,523,085	12,523,085
Total restricted	5,521,990	7,245,998	41,991,602	32,356,831	12,523,085	99,639,506
Assigned						
Protential 20-21 Deficit Spending	5,319,751	-	-	-	-	5,319,751
Future One-time expenditures	29,132,341	-	-	-	-	29,132,341
Adult Education	592,498	-	-	-	-	592,498
Deferred Mantenance	371,829	-	-	-	-	371,829
Other Assignment	10,738,099	-	-	-	1,442,961	12,181,060
Total assigned	46,154,518	-	-	-	1,442,961	47,597,479
Unassigned						
Reserve for economic uncertainties	4,943,201	-	-	-	-	4,943,201
Total unassigned	4,943,201	-	-	-	-	4,943,201
Total	$ 57,236,331	$ 7,245,998	$ 41,991,602	$ 32,356,831	$ 14,033,309	$152,864,071

Note 12 - 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, 2020, the District contracted with Northern California Regional Liability Excess Fund (NorCal Relief) for 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

For fiscal year 2020, the District participated in the San Joaquin County School Workers' Compensation (SJSWC), 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 ensures 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	Type of Coverage	Limits
San Joaquin County Schools Workers' Compensation	Workers' Compensation	$ 1,000,000
SAFER	Excess Liability	$1,000,000 - 25,000,000
NorCal Relief	Liability	$ 1,000,000
NorCal Relief	Auto	$ 1,000,000
NorCal Relief	Property	$ 250,250,000

Employee Medical Benefits

The District has contracted with the Central Valley Schools Health and Welfare Trusts to provide employee health benefits. The Trust is a shared risk pool comprised of District Superintendents and labor representatives of both the California Teachers Association (CTA) and the California School Employees Association (CSEA). 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 13 - 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, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 112,874,836	$ 31,384,425	$ 14,006,740	$ 12,719,587
CalPERS	52,186,050	12,016,426	574,912	9,059,444
Total	$ 165,060,886	$ 43,400,851	$ 14,581,652	$ 21,779,031

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, 2018, 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, 2020, 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%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

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, 2020, are presented above and the District's total contributions were $12,043,505.

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

At June 30, 2020, 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	
Proportionate share of net pension liability	$ 112,874,836
State's proportionate share of the net pension liability	61,580,759
Total	$ 174,455,595

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.1250 percent and 0.1209 percent, resulting in a net increase in the proportionate share of 0.0041 percent.

For the year ended June 30, 2020, the District recognized pension expense of $12,719,587. In addition, the District recognized pension expense and revenue of $9,170,703 for support provided by the State. At June 30, 2020, 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	$ 12,043,505	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,779,771	6,478,084
Differences between projected and actual earnings on pension plan investments	-	4,347,973
Differences between expected and actual experience in the measurement of the total pension liability	284,949	3,180,683
Changes of assumptions	14,276,200	-
Total	$ 31,384,425	$ 14,006,740

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
2021	$ (438,568)
2022	(3,451,779)
2023	(716,643)
2024	259,017
Total	$ (4,347,973)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,978,783
2022	1,978,783
2023	2,214,364
2024	3,692,051
2025	(368,532)
Thereafter	186,704
Total	$ 9,682,153

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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

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	Net Pension Liability
1% decrease (6.10%)	$ 168,079,975
Current discount rate (7.10%)	112,874,836
1% increase (8.10%)	67,099,264

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, 2018 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	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	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

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, 2020, are presented above and the total District contributions were $5,130,313.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $52,186,050. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.1791 percent and 0.1765 percent, resulting in a net increase in the proportionate share of 0.0026 percent.

For the year ended June 30, 2020, the District recognized pension expense of $9,059,444. At June 30, 2020, 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	$ 5,130,313	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	611,093	90,877
Differences between projected and actual earnings on pension plan investments	-	484,035
Differences between expected and actual experience in the measurement of the total pension liability	3,790,802	-
Changes of assumptions	2,484,218	-
Total	$ 12,016,426	$ 574,912

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
2021	$ 477,796
2022	(954,383)
2023	(144,624)
2024	137,176
Total	$ (484,035)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 4,093,391
2022	1,864,905
2023	760,854
2024	76,086
Total	$ 6,795,236

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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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	28%	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%)	$ 75,222,760
Current discount rate (7.15%)	52,186,050
1% increase (8.15%)	33,075,508

Tax Deferred Annuity/Social Security

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. An employee is no required to contribute his or her gross earnings to the pension plan.

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 $6,432,306 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. 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. On behalf payments have been included in the calculation of available reserves but have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been included in the calculation of available reserves but have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

Note 14 - Commitments and Contingencies

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, 2020.

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 pending litigation is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to an unfinished capital project:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
North Elementary School	$ 18,748,383	July 2021

Note 15 - Participation in Public Entity Risk Pools, Joint Powers 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, 2020, the District made payments of $1,797,990 to San Joaquin County Schools Workers' Compensation and $494,639 to San Joaquin County Schools Data Processing joint powers authority.

Note 16 - 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 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, 2020, 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:

Total Assets	$ 359,964
Total Liabilities	315,876
Net Position	$ 44,088
Total Revenues and Other Sources	$ 57,576
Total Expenditures	37,936
Net Increase in Net Position	$ 19,640

Note 17 - Subsequent Events

The District issued 2020 Refunding General Obligation Bonds in the amount of $14,470,000 on August 20, 2020 to refund certain maturities of the 2008 Election, Series 2015 and 2014 Election, Series 2015 bonds.

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

Tracy Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$142,906,640	$141,834,018	$141,834,018	$ -
Federal sources	6,026,871	6,433,919	6,207,480	(226,439)
Other State sources	10,494,972	15,555,167	15,555,167	-
Other local sources	3,518,993	6,896,897	7,291,136	394,239
Total revenues [1]	162,947,476	170,720,001	170,887,801	167,800
Expenditures				
Current				
Certificated salaries	73,632,426	73,122,068	72,646,756	475,312
Classified salaries	25,509,127	24,597,958	24,413,221	184,737
Employee benefits	40,060,048	41,110,700	40,873,177	237,523
Books and supplies	13,024,966	6,024,469	5,949,162	75,307
Services and operating expenditures	18,440,631	17,226,049	16,774,150	451,899
Other outgo	2,650,797	2,230,823	1,773,105	457,718
Capital outlay	299,426	2,026,145	1,466,155	559,990
Debt service				
Debt service - principal	51,256	45,591	45,591	-
Total expenditures [1]	173,668,677	166,383,803	163,941,317	2,442,486
Excess (Deficiency) of Revenues Over Expenditures	(10,721,201)	4,336,198	6,946,484	2,610,286
Other Financing Sources (Uses)				
Transfers out	-	-	(406,581)	(406,581)
Other uses	-	-	(2,455,375)	(2,455,375)
Net financing sources (uses)	-	-	(2,861,956)	(2,861,956)
Net Change in Fund Balances	(10,721,201)	4,336,198	4,084,528	(251,670)
Fund Balance - Beginning	53,151,803	53,151,803	53,151,803	-
Fund Balance - Ending	$ 42,430,602	$ 57,488,001	$ 57,236,331	$ (251,670)

[1] 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.

	2020	2019	2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service cost	$ 1,884,786	$ 1,834,342	$ 1,785,248
Interest	804,894	749,658	627,805
Experience (Gain)/Losses	(5,455,251)	-	-
Difference between expected and actual experience	(44,305)	-	-
Changes of assumptions	300,787	(431,070)	-
Benefit payments	(720,057)	(684,766)	(658,429)
Net change in total OPEB liability	(3,229,146)	1,468,164	1,754,624
Total OPEB Liability - Beginning	20,621,222	19,153,058	17,398,434
Total OPEB Liability - Ending	$ 17,392,076	$ 20,621,222	$ 19,153,058
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Year ended June 30,	2020	No information 2019	No information 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of the net OPEB liability	0.2211%	0.0000%	0.0000%
Proportionate share of the net OPEB liability	$ 823,322	$ -	$ -
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalSTRS						
Proportion of the net pension liability	0.1250%	0.1209%	0.1256%	0.1218%	0.1397%	0.1324%
Proportionate share of the net pension liability	$ 112,874,836	$ 111,093,896	$ 116,192,524	$ 98,505,968	$ 94,050,907	$ 77,395,022
State's proportionate share of the net pension liability	61,580,759	63,606,451	68,738,516	56,077,690	49,742,562	46,734,456
Total	$ 174,455,595	$ 174,700,347	$ 184,931,040	$ 154,583,658	$ 143,793,469	$ 124,129,478
Covered payroll	$ 68,669,361	$ 64,459,751	$ 66,386,471	$ 62,268,136	$ 60,274,471	61,544,416
Proportionate share of the net pension liability as a percentage of its covered payroll	164.37%	172.35%	175.02%	158.20%	156.04%	126%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
CalPERS						
Proportion of the net pension liability	0.1791%	0.1765%	0.1750%	0.1772%	0.1750%	0.1826%
Proportionate share of the net pension liability	$ 52,186,050	$ 47,068,348	$ 41,774,500	$ 35,001,190	$ 25,791,744	$ 20,733,500
Covered payroll	$ 25,117,246	$ 23,513,476	$ 21,966,871	$ 21,068,524	$ 19,354,226	19,069,634
Proportionate share of the net pension liability as a percentage of its covered payroll	207.77%	200.18%	190.17%	166.13%	133.26%	109%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 12,043,505	$ 11,179,372	$ 9,301,542	$ 8,351,418	$ 6,681,371	$ 5,352,373
Less contributions in relation to the contractually required contribution	12,043,505	11,179,372	9,301,542	8,351,418	6,681,371	5,352,373
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 70,429,854	$ 68,669,361	$ 64,459,751	$ 66,386,471	$ 62,268,136	$ 60,274,471
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 5,130,313	$ 4,536,677	$ 3,651,878	$ 3,050,759	$ 2,495,988	$ 2,278,186
Less contributions in relation to the contractually required contribution	5,130,313	4,536,677	3,651,878	3,050,759	2,495,988	2,278,186
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 26,014,467	$ 25,117,246	$ 23,513,476	$ 21,966,871	$ 21,068,524	$ 19,354,226
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

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.

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 the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate assumption changed from 3.8 to 3.5 percent 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 OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes 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
June 30, 2020

Tracy Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Passed Through California Department of Education (CDE)				
Special Education Cluster				
Special Education Grants to States - Basic Local Assistance	84.027	13379	$ 2,373,002	$ -
Special Education Basic Local Assistance Entitlement, Part B, Section 611, Private School ISP's	84.027	10115	16,367	-
Special Education Preschool Grants - Preschool Staff Development	84.173	13430	41,514	-
Total Special Education Cluster			2,430,883	-
Adult Education				
Basic Grants to States-Basic Education and ESL	84.002	14508	80,148	-
Basic Grants to States-Adult Secondary Education	84.002	13978	51,444	-
Subtotal			131,592	-
Title I Grants to Local Educational Agencies	84.010	14329	2,554,351	-
Title II Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	446,383	4,410
Title III English Language Acquisition State Grants - LEP	84.365	14346	478,812	-
Title IV Student Support and Academic Enrichment Program	84.424	15396	21,978	-
Career and Technical Education - Basic Grants to States	84.048	14894	115,325	-
Indian Education	84.060	10011	28,156	-
Total U.S. Department of Education			6,207,480	4,410
U.S. Department of Agriculture				
Passed Through California Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	13391	2,491,441	-
National School Lunch Program - Commodity Supplemental Food	10.555	13391	264,492	-
Subtotal			2,755,933	
School Breakfast Program - Especially Needy Breakfast	10.553	13526	766,581	-
Total Child Nutrition Cluster			3,522,514	-
Child and Adult Care Food Program	10.558	NA	241,257	-
Total U.S. Department of Agriculture			3,763,771	-
Total Expenditures of Federal Awards			$ 9,971,251	$ 4,410

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 schools, 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	Title	TERM EXPIRES
Simran Kaur	President	2022
Steve Abercrombie	Vice President	2022
Ana Blanco	Clerk	2024
Lori Souza	Member	2022
Ameni Alexander	Member	2022
Nathalia Erskine	Member	2024
Zachary Hoffert	Member	2024

ADMINISTRATION

NAME	TITLE
Dr. Brain 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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,481.13	3,481.13
Fourth through sixth	2,808.57	2,808.57
Seventh and eighth	2,073.54	2,073.54
Ninth through twelfth	5,462.20	5,462.20
Total Regular ADA	13,825.44	13,825.44
Extended Year Special Education		
Transitional kindergarten through third	5.23	5.23
Fourth through sixth	3.98	3.98
Seventh and eighth	2.27	2.27
Ninth through twelfth	5.73	5.73
Total Extended Year Special Education	17.21	17.21
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.38	2.38
Fourth through sixth	3.87	3.87
Seventh and eighth	4.07	4.07
Ninth through twelfth	8.77	8.77
Total Special Education, Nonpublic, Nonsectarian Schools	19.09	19.09
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.18	0.18
Fourth through sixth	0.47	0.47
Seventh and eighth	0.28	0.28
Ninth through twelfth	1.22	1.22
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.15	2.15
Community Day School		
Transitional kindergarten through third	-	-
Fourth through sixth	-	-
Seventh and eighth	2.52	2.52
Ninth through twelfth	12.91	12.91
Total Community Day School	15.43	15.43
Total ADA	13,879.32	13,879.32

See Notes to Supplementary Information

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,554	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,250	180	N/A	Complied
Grade 2		52,250	180	N/A	Complied
Grade 3		52,250	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		56,604	180	N/A	Complied
Grade 5		56,604	180	N/A	Complied
Grade 6		58,378	180	N/A	Complied
Grade 7		58,450	180	N/A	Complied
Grade 8		58,450	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,069	180	N/A	Complied
Grade 10		65,069	180	N/A	Complied
Grade 11		65,069	180	N/A	Complied
Grade 12		65,069	180	N/A	Complied

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Cafeteria Fund
Fund Balance	
Balance, June 30, 2020, Unaudited Actuals	$ 705,024
Increase in	
Accounts receivable	187,592
Balance, June 30, 2020, Audited Financial Statements	$ 892,616

	2021 [1]	2020	2019	2018
General Fund [2]				
Revenues	$ 176,174,666	$ 170,887,801	$ 171,802,075	$ 156,991,893
Other sources	-	-	-	16,865
Total Revenues and Other Sources	176,174,666	170,887,801	171,802,075	157,008,758
Expenditures	179,004,431	163,941,317	166,627,563	154,332,966
Other uses and transfers out	32,824	2,861,956	2,837,267	2,509,719
Total Expenditures and Other Uses	179,037,255	166,803,273	169,464,830	156,842,685
Increase/(Decrease) in Fund Balance	(2,862,589)	4,084,528	2,337,245	166,073
Ending Fund Balance	$ 54,373,742	$ 57,236,331	$ 53,151,803	$ 50,814,558
Available Reserves [2]	$ 5,371,200	$ 4,943,201	$ 5,084,304	$ 4,705,300
Available Reserves as a Percentage of Total Outgo	3.00%	2.96%	3.00%	3.00%
Long-Term Liabilities	$ 335,946,337	$ 342,513,940	$ 317,251,060	$ 318,171,564
K-12 Average Daily Attendance at P-2	Not Available	13,879	13,981	14,223

The General Fund balance has increased by $4,084,528 over the past two years. The fiscal year 2020-2021 budget projects a further decrease of $2,862,589 (5.8 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in three of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $24,342,376 over the past two years.

Average daily attendance has decreased by 344 over the past two years.

[1] Budget 2021 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.

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

	Child Development Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Assets						
Deposits and investments	$ 3,946	$ 951,258	$ 568,722	$ 10,142,229	$ 2,380,856	$ 14,047,011
Receivables	40,053	192,299	1,830	-	-	234,182
Due from other funds	59,811	-	-	-	-	59,790
Stores inventories	-	67,263	-	-	-	67,263
Total assets	$ 103,810	$ 1,210,820	$ 570,552	$ 10,142,229	$ 2,380,856	$ 14,408,246
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 7,464	$ 38,070	$ -	$ -	$ -	$ 45,534
Due to other funds	37,176	280,134	-	-	-	317,289
Unearned revenue	12,114	-	-	-	-	12,114
Total liabilities	56,754	318,204	-	-	-	374,937
Fund Balances						
Nonspendable	-	67,263	-	-	-	67,263
Restricted	-	-	-	10,142,229	2,380,856	12,523,085
Assigned	47,056	825,353	570,552	-	-	1,442,961
Total fund balances	47,056	892,616	570,552	10,142,229	2,380,856	14,033,309
Total liabilities and fund balances	$ 103,810	$ 1,210,820	$ 570,552	$ 10,142,229	$ 2,380,856	$ 14,408,246

	Child Development Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Revenues						
Federal sources	$ -	$ 3,499,279	$ -	$ -	$ 702,332	$ 4,201,611
Other State sources	267,124	255,936	-	59,370	-	582,430
Other local sources	19,246	1,044,363	9,828	10,766,463	-	11,839,900
Total revenues	286,370	4,799,578	9,828	10,825,833	702,332	16,623,941
Expenditures						
Current						
Instruction	201,009	-	-	-	-	201,009
Instruction-related activities						
Supervision of instruction	39,056	-	-	-	-	39,056
School site administration	72,080	-	-	-	-	72,080
Pupil services						
Food services	-	5,210,456	-	-	-	5,210,456
Administration						
All other administration	12,176	212,376	-	-	-	224,552
Plant services	-	130,360	-	-	-	130,360
Debt service						
Principal	-	-	-	5,834,000	-	5,834,000
Interest and other	-	-	-	8,570,966	1,757,166	10,328,132
Total expenditures	324,321	5,553,192	-	14,404,966	1,757,166	22,039,645
Excess (Deficiency) of Revenues Over Expenditures	(37,951)	(753,614)	9,828	(3,579,133)	(1,054,834)	(5,415,704)
Other Financing Sources (Uses)						
Transfers in	59,811	-	-	-	-	59,811
Other sources	-	-	-	3,470,792	-	3,470,792
Net Financing Sources (Uses)	59,811	-	-	3,470,792	-	3,530,603
Net Change in Fund Balances	21,860	(753,614)	9,828	(108,341)	(1,054,834)	(1,885,101)
Fund Balance - Beginning	25,196	1,646,230	560,724	10,250,570	3,435,690	15,918,410
Fund Balance - Ending	$ 47,056	$ 892,616	$ 570,552	$ 10,142,229	$ 2,380,856	$ 14,033,309

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 from 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 previous 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, 2020. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		$ 10,409,091
Federal interest subsidy	NA	(702,332)
Commodities is not included in recorded revenue but is included in expenditures	10.550	264,492
Total Schedule of Expenditures of Federal Awards		$ 9,971,251

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.

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. Due to school closures caused by COVID-19; the District filed the COVID-19 School Closure Certification certifying that schools were closed for 44 days due to the pandemic. In addition, planned minutes covered by the COVID-19 School certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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 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 Balances

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

Independent Auditor's Reports
June 30, 2020

Tracy Unified School District

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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*

To the Board of Directors
Tracy Unified School District
Tracy, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tracy Unified School District, as of and for the year ended June 30, 2020, 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 March 31, 2021.

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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore material weakness or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tracy Unified School District's Response to Finding
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
March 31, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Tracy Unified School District
Tracy, California

Report on Compliance for Each Major Federal Program

We have audited Tracy Unified School District's 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, 2020. 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 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.

Opinion on Each Major Federal Program
In our opinion, Tracy Unified School District's 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, 2020.

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 the 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
March 31, 2021

Independent Auditor's Report on State Compliance

To the Board of Directors
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 described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for' the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with 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

Continuation Education
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.

Early Retirement Incentive
The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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

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

Apprenticeship: Related and Supplemental Instruction
We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

District of Choice
We did not perform District of Choice procedures because the program is not offered by the District.

After/Before School Education and Safety Program:
We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

Independent Study - Course Based
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.

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

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, Tracy Unified School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts as noted in item 2020-002. Compliance with such requirements is necessary, in our opinion, for Tracy Unified School District to comply with the requirements referred to above.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Tracy Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Tracy Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs.* Tracy Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs

In our opinion, Tracy Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

San Ramon, California
March 31, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Special Education Program Cluster	84.027; 84.173

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

STATE COMPLIANCE

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

Unmodified for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

The following finding represents a material weakness, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2020-001 **Accounts Receivable**

Criteria or Specific Requirements
Generally accepted accounting principles indicate that exchange revenues for services performed be recognized in the year in which the services are provided.

Condition
We noted that cafeteria federal and state revenue for May and June 2020 was not accrued as accounts receivable.

Questioned costs
Not applicable.

Context
The year end closing process occurred during the beginning of the change to remote work and the accrual was not captured and recorded.

Effect
Cafeteria fund accounts receivable and revenue were understated by $187,592.

Cause
Year end accrual was not recorded.

Recommendation
We recommend the District ensure that internal control processes designed to review and capture all required year end adjustments be reviewed and determined that it operates effectively either when personnel are working remotely or in person.

Repeat Finding
No

Corrective Action Plan
District management has reviewed policies and procedures for year-end processing and discussed this omission with appropriate district personnel. We have updated our year-end procedures checklist to ensure completion of this process in future year end closings.

None reported.

The following finding represents an instance of noncompliance and/or questioned costs relating to compliance with state laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-002 Code 40000 – Unduplicated count

Criteria or Specific Requirements
Obtain a copy of the school's certified "1.18 – FRPM / English Learner / Foster Youth – Student List" report. Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a "No" under "Foster" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column) and verify there is supporting documentation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE, that matches enrolled students against those children/households receiving CalFresh (or CALWORKs) benefits. If a student in the sample transferred to another LEA, the LEA may obtain the documentation from the LEA the student transferred to, or another student may be selected for the sample.

Condition
We identified two students whose FRPM designation was listed as reduced but that was not supported by the Free and Reduced Lunch status.

Questioned Costs
$5,196. 2 students at Tracy High, which had a population of 794 FRPM unduplicated count students. Extrapolated to the population results in a questioned cost of 26 students. A reduction of the two students noted would result in zero questioned costs. Using the reduction of the extrapolated 26 students in the LCFF Estimated the Cost of Unduplicated County Penalty worksheet results in a questioned cost of $5,196.

Context
We reviewed 60 FRPM student files and noted 2 students from one family that did not meet the low-income threshold.

Effect
Students listed as FRPM were not supported by FRPM eligibility amounts.

Cause
Decentralized operations are dependent on the action of several individuals. Some individuals may not be aware of established procedures

Repeat Finding (Yes or No) No

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.

Corrective Action Plan
District management has reviewed policies and procedures with appropriate personnel to ensure proper monitoring and reporting of student designations on all future certified student lists.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.