



March 29, 2022

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

We have audited the financial statements of Tracy Unified School District (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated March 29, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated October 1, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District's major federal program compliance, is to express an opinion on the compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances 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, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated March 29, 2022. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 29, 2022.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. As described in Notes 1 and 16 to the financial statements, the District changed accounting policies related to accounting for fiduciary activities to adopt the provisions of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Governmental Accounting Standards Board (GASB) requires the District to calculate, recognize, and report the costs and obligations associated with pensions in their financial statements. These amounts were all based on the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS)

estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which were actuarially determined; utilizing projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The District's proportionate share was determined by calculating the District's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Management's estimate of the Net OPEB liability, related deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on a calculation of actuarially determined contributions for health insurance benefits.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting District's financial statements relate to Total Other Postemployment Benefits (OPEB) Liability (Note 10) and the Employee Retirement Systems (Note 13).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole.

The following misstatement that we identified as a result of our audit procedures was brought to the attention of, and corrected by, management:

Student Activity Fund		
Expenditures understated		\$561,214
Revenue understated		\$167,552
Cash in bank overstated		\$393,662
Government-wide		
Remove internal advance liability between TSFFA and the District		\$11,091,000
Add QSCBs long-term debt		\$(13,895,000)
Debt service principal that was incorrectly expensed rather than reducing the principal debt balance		\$2,595,000

The following summarizes uncorrected financial statement misstatements whose effects in the current period and prior period, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Capital Facilities Fund	
County cash and revenue understated	\$29,253
County School Facilities Fund	
County cash and revenue understated	\$11,316

The effect of these uncorrected misstatements as of and for the year ended June 30, 2021, is an understatement of \$29,253 for the Capital Facilities Fund fund balance and understatement of \$11,316 for the County School Facilities Fund fund balance.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated March 29, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Modification of the Auditor's Report

We have made the following modifications to our auditor's report.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, Tracy Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Correction of Errors

As discussed in Note 16 to the financial statements, the prior year financial statements did not appropriately account for an advance between the District and its blended component unit, Tracy School Facilities Financing Authority (TSFFA). Additionally, the District did not appropriately account for the long-term debt of TSFFA. Lastly, the District incorrectly recorded principal payment on the Measure B, Election 2014, Series 2019 as interest expense rather than reduce the principal balance. As a result of these errors, the beginning net position and fund balances were restated to correct these errors. Our opinions are not modified with respect to this matter.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Tracy Unified School District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

However, in accordance with such standards, we will review the information inputted into the data collection form and will consider whether such information, or the manner of its presentation, is materially consistent with the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Group Audit

The financial statements include the Tracy School Facilities Financing Authority JPA (TSFFA) as a blended component unit. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of the TSFFA environment, including internal control, sufficient to assess the risks of material misstatement of the District's financial statements and completion of further audit procedures.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing board, and management of Tracy Unified School District and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eric Bailey LLP". The signature is written in a cursive, flowing style.

San Ramon, California



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June 30, 2021

Tracy Unified School District

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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, 2021, 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.

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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, Tracy Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Correction of Error

As discussed in Note 16 to the financial statements, the prior year financial statements did not appropriately account for an advance between the District and its blended component unit, Tracy School Facilities Financing Authority. Additionally, the District did not appropriately account for the long-term debt of Tracy School Facilities Financing Authority. Lastly, the District incorrectly recorded principal payments on the Measure B, Election 2014, Series 2019 as interest expense rather than reducing the principal balance. As a result of these errors, the beginning net position and fund balances were restated to correct these errors. Our opinions are not modified with respect to this matter.

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 total 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 supplementary information such as the local education agency organization structure, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter school, combining non-major governmental fund financial statements, and 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) as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2022 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.

A handwritten signature in black ink that reads "Esde Bailly LLP". The signature is written in a cursive, flowing style.

San Ramon, California
March 29, 2022

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, 2021, with comparative information for the year ended June 30, 2020. 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), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. 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 governmental activities.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 – All of the District's services are reported 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 - All 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.

FINANCIAL HIGHLIGHTS

Total net position was \$205,313,637. As a result of increased funding for COVID-19 relief, the District's net position increased \$5,6 million or 2.8%.

- Total governmental fund revenues were \$215.1 million. General Fund revenue accounted for \$188.8 million or 87.8% of total revenues.
- The District had \$211.5 million in government-wide expenses; \$47.8 million of these expenses were offset by programs 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 pupil 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 2020-21 school year, Tracy Unified School District's unduplicated pupil count of students was 60.3%.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$205.3 million for the fiscal year ended June 30, 2021. Of this amount, (\$122.6) 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	
	2021	2020*
Assets		
Current and other assets	\$ 174,662,836	\$ 172,591,142
Capital assets	375,781,922	367,687,094
Total assets	550,444,758	540,278,236
Deferred outflows of resources	40,702,006	44,443,972
Liabilities		
Current liabilities	13,500,096	20,979,710
Long-term liabilities	357,386,672	342,722,940
Total liabilities	370,886,768	363,702,650
Deferred inflows of resources	14,946,359	21,297,201
Net Position		
Net investment in capital assets	234,332,533	219,540,803
Restricted	93,591,402	93,393,819
Unrestricted	(122,610,298)	(113,212,265)
Total net position	\$ 205,313,637	\$ 199,722,357

* The assets and net position (deficit) for fiscal year 2020 were restated to show the effects of GASB 84 and prior year corrections for comparative purposes.

The (\$122.6) 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 8.3% (\$122.6) million compared to (\$113.2) million. The long-term liabilities that contribute to the negative net position include outstanding general obligation bonds, which will be repaid from on-going property tax collections, and the actuarially determined current value of future pension obligations, which will be paid over time from employer, employee and state contributions in the pension funds.

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 15. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year. The negative change in net position reflects a draw-down of the fund balance accumulated from unspent revenues from prior years.

Table 2

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 5,795,216	\$ 4,279,514
Operating grants and contributions	41,968,356	28,194,030
Capital grants and contributions	2,785,603	7,323,393
General revenues		
Federal and State aid not restricted	103,880,512	107,226,745
Property taxes	54,558,974	50,500,958
Other general revenues	8,119,859	2,676,076
Total revenues	<u>217,108,520</u>	<u>200,200,716</u>
Expenses		
Instruction-related	157,810,316	135,934,284
Pupil services	19,043,252	19,325,280
Administration	7,038,471	8,596,431
Plant services	16,805,375	24,646,594
All other services	10,819,826	11,138,292
Total expenses	<u>211,517,240</u>	<u>199,640,881</u>
Change in net position	<u>\$ 5,591,280</u>	<u>\$ 559,835</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes. Restatements related to correction of errors were restated for comparative purpose.

Governmental Activities

As reported in the Statement of Activities on page 15, the cost of all of our governmental activities this year was \$211.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$54.6 million because the cost was paid by those who benefited from the programs (\$5.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$42.0 million). We paid for the remaining "public benefit" portion of our governmental activities with \$103.9 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	
	2021	2020*	2021	2020*
Instruction-related	\$ 157,810,316	\$ 135,934,284	\$ (123,198,129)	\$ (109,426,871)
Pupil services	19,043,252	19,325,280	(11,608,944)	(13,271,338)
Administration	7,038,471	8,596,431	(6,398,426)	(7,913,798)
Plant services	16,805,375	24,646,594	(16,164,976)	(24,304,706)
All other services	10,819,826	13,733,292	(3,597,590)	(10,117,231)
Total	<u>\$ 211,517,240</u>	<u>\$ 202,235,881</u>	<u>\$ (160,968,065)</u>	<u>\$ (165,033,944)</u>

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes. Restatements related to correction of errors were restated for comparative purpose.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$163.8 million, which is an increase of \$9.7 million from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 57,236,331	\$ 188,897,654	\$ 171,769,371	\$ 74,364,614
Student Activity Fund	1,209,311	666,415	741,487	1,134,239
Charter Schools	-	1,143,371	1,106,027	37,344
Child Development	47,056	339,919	321,140	65,835
Cafeteria	892,616	3,509,484	2,316,275	2,085,825
Building	7,245,998	873,310	-	8,119,308
Capital Facilities	41,991,602	6,011,709	4,905	47,998,406
County School Facilities	32,356,831	2,785,604	18,241,568	16,900,867
Special Reserve Fund for Capital Outlay Projects	570,552	2,945	-	573,497
Bond Interest and Redemption	12,523,085	35,229,449	35,257,266	12,495,268
Total	<u>\$ 154,073,382</u>	<u>\$ 239,459,860</u>	<u>\$ 229,758,039</u>	<u>\$ 163,775,203</u>

The primary reasons for these changes are:

1. Our General Fund is our principal operating fund. The fund balance for the General Fund increased from \$57.2 million to \$74.4 million. This increase is due to:
 - a. Increased LCFF revenue.
 - b. Increased Federal and State funding related to COVID-19 relief.
2. Our Capital Facilities Fund is used primarily to account for activities restricted to the items specified in agreements with developers. The fund balance for the Capital Facilities Fund increased from \$42.0 million to \$48.0 million. This increase is due to:
 - a. Receipt of developer fees related to new home construction.
3. 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 County School Facilities Fund decreased from \$32.4 million to \$16.9 million. This decrease is due to:
 - a. Expenditures made for North School modernization project.

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 64).

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

- Significant revenue revisions made to the 2020-21 budget were due to:
 - o The District received more LCFF revenue than originally projected.
 - o The District received Federal and State funding related to COVID-19 relief.
- Budgeted expenditures increased due to:
 - o Technology purchases and improvements.
 - o Additional expenditures funded by COVID-19 relief revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$375.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$8.1 million, or 2.2 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 50,800,543	\$ 34,423,346
Buildings and improvements	320,725,753	328,528,622
Furniture and equipment	2,796,858	3,270,455
Vehicles	1,458,768	1,464,671
Total	<u>\$ 375,781,922</u>	<u>\$ 367,687,094</u>

This year's additions of approximately \$20 million included \$18.1 million for modernization of North Elementary School. Additions also included the purchase of land, several vehicles, and equipment as well as the completion of several smaller building projects. We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$357.4 million in long-term obligations outstanding versus \$342.7 million last year, an increase of 4.3 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2021	2020 Restated
Long-Term Liabilities		
General obligation bonds	\$ 135,213,377	\$ 134,973,823
Unamortized premiums	8,628,805	10,400,742
Private placement bonds - sole purchaser TSFFA (Blended CU)	12,525,000	13,895,000
Capital leases	32,186	164,964
Compensated absences	11,090	12,127
Total OPEB liability	21,651,770	18,215,398
Aggregate net pension liability	179,324,444	165,060,886
	<u> </u>	<u> </u>
Total	<u>\$ 357,386,672</u>	<u>\$ 342,722,940</u>

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 \$179.3 million versus \$165.1 million last year, an increase of 14.3 million, or 8.6 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 2020-2021 ARE NOTED BELOW:

- TUSD was selected to receive a second federal grant to support STEM education for grades TK-12.
- TUSD expanded services in support of outreach and communication with parents.
- Solar projects were started at multiple school sites to reduce energy costs.
- 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 2021-2022 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	3,453
Grades four through eight	24:1	4,886
Grades nine through twelve	24.5:1	5,899

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.

Tracy Unified School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 152,242,848
Receivables	22,055,960
Stores inventories	364,028
Capital assets not depreciated	50,800,543
Capital assets, net of accumulated depreciation	324,981,379
Total assets	<u>550,444,758</u>
Deferred Outflows of Resources	
Deferred charge on refunding	2,317,246
Deferred outflows of resources related to OPEB	2,522,192
Deferred outflows of resources related to pensions	35,862,568
Total deferred outflows of resources	<u>40,702,006</u>
Liabilities	
Accounts payable	7,462,573
Interest payable	2,612,463
Unearned revenue	3,425,060
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	7,109,888
Long-term liabilities other than OPEB and pensions due in more than one year	149,300,570
Total other postemployment benefits liability (OPEB)	21,651,770
Aggregate net pension liabilities	179,324,444
Total liabilities	<u>370,886,768</u>
Deferred Inflows of Resources	
Deferred charge on refunding	953,645
Deferred inflows of resources related to OPEB	4,914,730
Deferred inflows of resources related to pensions	9,077,984
Total deferred inflows of resources	<u>14,946,359</u>
Net Position	
Net investment in capital assets	234,332,533
Restricted for	
Debt service	12,495,268
Capital projects	65,471,039
Educational programs	13,651,985
Other activities	1,973,110
Unrestricted	(122,610,298)
Total net position	<u>\$ 205,313,637</u>

Tracy Unified School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Instruction	\$ 124,139,698	\$ 296,687	\$ 18,599,595	\$ 2,785,603	\$ (102,457,813)
Instruction-related activities					
Supervision of instruction	5,291,024	122,451	1,571,663	-	(3,596,910)
Instructional library, media, and technology	15,058,931	-	10,003,714	-	(5,055,217)
School site administration	13,320,663	17,572	1,214,902	-	(12,088,189)
Pupil services					
Home-to-school transportation	5,462,772	-	9,480	-	(5,453,292)
Food services	4,805,829	1,501	5,301,835	-	497,507
All other pupil services	8,774,651	-	2,121,492	-	(6,653,159)
Administration					
All other administration	7,038,471	6,582	633,463	-	(6,398,426)
Plant services	16,805,375	3,958	636,441	-	(16,164,976)
Ancillary services	2,026,120	-	558,172	-	(1,467,948)
Community services	106,093	-	-	-	(106,093)
Enterprise services	41	-	-	-	(41)
Interest on long-term liabilities	6,419,126	-	-	-	(6,419,126)
Other outgo	2,268,446	5,346,465	1,317,599	-	4,395,618
Total governmental activities	<u>\$ 211,517,240</u>	<u>\$ 5,795,216</u>	<u>\$ 41,968,356</u>	<u>\$ 2,785,603</u>	<u>(160,968,065)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					42,579,077
Property taxes, levied for debt service					11,147,621
Taxes levied for other specific purposes					832,276
Federal and State aid not restricted to specific purposes					103,880,512
Interest and investment earnings					489,124
Miscellaneous					7,630,735
Subtotal, general revenues					<u>166,559,345</u>
Change in Net Position					5,591,280
Net Position - Beginning as restated					<u>199,722,357</u>
Net Position - Ending					<u>\$ 205,313,637</u>

Tracy Unified School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 63,295,063	\$ 47,956,451	\$ 18,550,640	\$ 22,440,694	\$ 152,242,848
Receivables	21,137,561	42,735	18,858	856,806	22,055,960
Due from other funds	228,247	-	-	1,434,604	1,662,851
Stores inventories	265,703	-	-	98,325	364,028
Total assets	\$ 84,926,574	\$ 47,999,186	\$ 18,569,498	\$ 24,830,429	\$ 176,325,687
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 5,729,495	\$ 780	\$ 1,668,631	\$ 63,667	\$ 7,462,573
Due to other funds	1,434,604	-	-	228,247	1,662,851
Unearned revenue	3,397,861	-	-	27,199	3,425,060
Total liabilities	10,561,960	780	1,668,631	319,113	12,550,484
Fund Balances					
Nonspendable	280,703	-	-	98,325	379,028
Restricted	13,137,371	47,998,406	16,900,867	24,379,697	102,416,341
Assigned	56,400,103	-	-	33,294	56,433,397
Unassigned	4,546,437	-	-	-	4,546,437
Total fund balances	74,364,614	47,998,406	16,900,867	24,511,316	163,775,203
Total liabilities and fund balances	\$ 84,926,574	\$ 47,999,186	\$ 18,569,498	\$ 24,830,429	\$ 176,325,687

Tracy Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds \$ 163,775,203

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	\$ 558,038,754
Accumulated depreciation is	<u>(182,256,832)</u>

Net capital assets	375,781,922
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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. (2,612,463)

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

Debt refundings (deferred charge on refunding)	2,317,246
Other postemployment benefits (OPEB)	2,522,192
Net pension liability	<u>35,862,568</u>

Total deferred outflows of resources	40,702,006
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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 (deferred charge on refunding)	(953,645)
Other postemployment benefits (OPEB)	(4,914,730)
Net pension liability	<u>(9,077,984)</u>

Total deferred inflows of resources	(14,946,359)
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Net pension liability is not due and payable in the current period,
and is not reported as a liability in the funds. (179,324,444)

The District's OPEB liability is not due and payable in the current period,
and is not reported as a liability in the funds. (21,651,770)

Tracy Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

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	\$(141,809,900)
Capital leases	(32,186)
Compensated absences (vacations)	(11,090)
Bond Premium	(8,628,805)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(5,928,477)

Total long-term liabilities	<u>(156,410,458)</u>
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Total net position - governmental activities	<u><u>\$ 205,313,637</u></u>
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Tracy Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 142,814,200	\$ -	\$ -	\$ 447,202	\$ 143,261,402
Federal sources	19,753,016	-	-	3,511,059	23,264,075
Other State sources	19,841,741	-	2,645,276	750,717	23,237,734
Other local sources	6,432,796	6,011,709	140,328	12,723,587	25,308,420
Total revenues	188,841,753	6,011,709	2,785,604	17,432,565	215,071,631
Expenditures					
Current					
Instruction	97,662,590	-	-	1,202,562	98,865,152
Instruction-related activities					
Supervision of instruction	4,637,753	-	-	61,684	4,699,437
Instructional library, media, and technology	14,302,427	-	-	-	14,302,427
School site administration	11,320,040	-	-	74,072	11,394,112
Pupil services					
Home-to-school transportation	4,786,982	-	-	-	4,786,982
Food services	2,208,173	-	-	2,125,854	4,334,027
All other pupil services	8,564,899	-	-	10,012	8,574,911
Administration					
All other administration	6,905,435	-	-	92,078	6,997,513
Plant services	16,235,659	4,905	1,488	121,279	16,363,331
Ancillary services	1,272,192	-	-	741,487	2,013,679
Community services	105,267	-	-	-	105,267
Other outgo	-	-	-	-	-
Enterprise services	-	-	-	-	-
Facility acquisition and construction	851,523	-	18,240,080	-	19,091,603
Debt service					
Principal	45,657	-	-	5,965,000	6,010,657
Interest and other	-	-	-	5,934,855	5,934,855
Total expenditures	168,898,597	4,905	18,241,568	16,328,883	203,473,953
Excess (Deficiency) of Revenues					
Over Expenditures	19,943,156	6,006,804	(15,455,964)	1,103,682	11,597,678
Other Financing Sources (Uses)					
Transfers in	55,901	-	-	602,328	658,229
Other sources - bond proceeds	-	-	-	23,730,000	23,730,000
Transfers out	(602,328)	-	-	(55,901)	(658,229)
Other uses - payment to refunded bond escrow agent	-	-	-	(23,357,411)	(23,357,411)
Other uses - transfers between agencies	(2,268,446)	-	-	-	(2,268,446)
Net Financing Sources (Uses)	(2,814,873)	-	-	919,016	(1,895,857)
Net Change in Fund Balances	17,128,283	6,006,804	(15,455,964)	2,022,698	9,701,821
Fund Balance - Beginning, as restated	57,236,331	41,991,602	32,356,831	22,488,618	154,073,382
Fund Balance - Ending	\$ 74,364,614	\$ 47,998,406	\$ 16,900,867	\$ 24,511,316	\$ 163,775,203

See Notes to Financial Statements

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, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 9,701,821

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 capital outlays exceeds depreciation in the period.

Depreciation expense	\$ (11,411,978)	
Capital outlays and adjustments	<u>19,521,758</u>	
Net expense adjustment		8,109,780

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (784,554)

Gain on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (13,902)

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. 1,037

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. \$ (16,298,173)

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. (2,032,481)

Proceeds received from General obligation bonds or certificates of participation 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. (23,730,000)

See Notes to Financial Statements

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, 2021

Deferred charge on refunding (the difference between the reacquisition price and 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.	(2,086,544)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	850,181
Payment of principal (including bond defeased) 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	31,590,824
Capital leases	132,778
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.	150,513
	<hr/>
Change in net position of governmental activities	\$ 5,591,280
	<hr/>

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, one charter school, 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. 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 (TSFFA)'s financial activity is presented in the financial statements as a blended component unit within the Bond Interest and Redemption fund. Bonds issued by TSFFA and purchased by third parties are accounted for in the Bond Interest and Redemption Fund and in the government-wide governmental activities 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 and are not considered component units of District.

The District has an approved Charter for Tracy Independent Study Charter pursuant to *Education code* Section 47605. The Tracy Independent Study Charter School is operated by the District, and its financial activities are presented in the Charter School special revenue fund.

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 the governmental fund category.

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 \$14,827,628.

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 1A), 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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General 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).

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146 and may not be used for any purposes other than those for which the bonds were issued).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude 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 financials 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.

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.

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.

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.

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.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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.

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" and long-term interfund loans are classified as "advances". 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, 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 deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunded debt. 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, 2021, 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 \$93,591,402 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

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activity funds from fiduciary to governmental funds. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 16.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 152,242,848
	<u> </u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 1,161,040
Cash with fiscal agent	1,934,790
Cash in revolving	15,000
Investments	<u>149,132,018</u>
 Total deposits and investments	 <u>\$ 152,242,848</u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by 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:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Weighted Average Maturity in Days</u>
County Treasury Investment Pool	<u>\$ 149,132,018</u>	485

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, 2021.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of approximately \$916,000 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's investments in the San Joaquin County Treasury Investment Pool are considered uncategorized in the fair value hierarchy.

Note 4 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 4,206,084	\$ -	\$ -	\$ 625,650	\$ 4,831,734
State Government					
LCFF apportionment	13,188,097	-	-	113,916	13,302,013
Categorical aid	2,013,571	-	18,858	102,311	2,134,740
Lottery	959,635	-	-	8,147	967,782
Other State	117	-	-	-	117
Local Government					
Other local sources	770,057	42,735	-	6,782	819,574
Total	<u>\$ 21,137,561</u>	<u>\$ 42,735</u>	<u>\$ 18,858</u>	<u>\$ 856,806</u>	<u>\$ 22,055,960</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions Adjustments	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 27,124,015	\$ 801,966	\$ (1,050)	\$ 27,924,931
Construction in progress	7,299,331	18,118,712	(2,542,431)	22,875,612
Total capital assets not being depreciated	34,423,346	18,920,678	(2,543,481)	50,800,543
Capital assets being depreciated				
Land improvements	24,625,064	1,336,879	(7,600)	25,954,343
Buildings and improvements	458,261,377	1,308,760	7,365	459,577,502
Furniture and equipment	11,423,624	222,120	(31,998)	11,613,746
Vehicles	9,816,870	275,752	(2)	10,092,620
Total capital assets being depreciated	504,126,935	3,143,511	(32,235)	507,238,211
Total capital assets	538,550,281	22,064,189	(2,575,716)	558,038,754
Accumulated depreciation				
Land improvements	(17,565,109)	(992,923)	-	(18,558,032)
Buildings and improvements	(136,792,710)	(9,457,343)	1,993	(146,248,060)
Furniture and equipment	(8,153,169)	(695,720)	32,001	(8,816,888)
Vehicles	(8,352,199)	(265,992)	(15,661)	(8,633,852)
Total accumulated depreciation	(170,863,187)	(11,411,978)	18,333	(182,256,832)
Governmental activities capital assets, net	\$ 367,687,094	\$ 10,652,211	\$ (2,557,383)	\$ 375,781,922

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

Governmental Activities	
Instruction	\$ 10,332,208
Supervision of instruction	
Instructional library, media, and technology	382,410
Home-to-school transportation	348,259
Food services	111,023
All other administration	7,050
Plan Maintenance and Operations	231,028
Total depreciation expenses governmental activities	\$ 11,411,978

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, 2021, between major and non-major governmental funds are as follows:

Due To	General Fund	Due From Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 1,434,604	\$ 1,434,604
Non-Major Governmental Funds	228,247	-	228,247
Total	<u>\$ 228,247</u>	<u>\$ 1,434,604</u>	<u>\$ 1,662,851</u>

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

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	General Fund	Transfer From Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 602,328	\$ 602,328
Non-Major Governmental Funds	55,901	-	55,901
Total	<u>\$ 55,901</u>	<u>\$ 602,328</u>	<u>\$ 658,229</u>

The General Fund transferred to the Charter Schools Fund for expenditures.

\$ 602,328

The Charter Schools Fund transferred to the General Fund for LCFF oversight and Special Education encroachment

55,901

Total

\$ 658,229

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

Interfund Advances Between District and Blended Component Unit

As of June 30, 2021, the District has a long-term advance in the amount of \$10,110,000 owed to its blended component unit, Tracy School Facilities Financing Authority (TSFFA). For financial reporting purposes, TSFFA is blended within the Bond Interest and Redemption Fund and therefore the internal advance has been eliminated. The long-term advance is a result of an initial transaction that occurred in April 2011, in which the District issued \$16 million of Series 2011A bonds that were purchased by the District's blended component unit, TSFFA. The bonds have a stated interest rate of 3.00%. In order for TSFFA to have the funds available to purchase the Series 2011A Bonds, it issued Qualified School Construction Bonds (QSCBs), which is further described in Note 9. During the year ended June 30, 2021, the District repaid principal and interest in the amount of \$981,000 and \$318,015, respectively.

The structure of the long-term advance is such that the District is making semi-annual principal and interest payments, until final maturity on May 1, 2026. TSFFA is using the receipts from the District to make debt service payments on the QSCBs.

Note 7 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 43,763	\$ -	\$ -	\$ 4,744	\$ 48,507
State Government					
LCFF apportionment	1,292,276	-	-	-	1,292,276
Categorical aid	14,927	-	-	-	14,927
Vendor payables	3,579,447	780	1,668,631	30,911	5,279,769
Salaries and benefits	799,082	-	-	28,012	827,094
	<u>\$ 5,729,495</u>	<u>\$ 780</u>	<u>\$ 1,668,631</u>	<u>\$ 63,667</u>	<u>\$ 7,462,573</u>
Total	<u>\$ 5,729,495</u>	<u>\$ 780</u>	<u>\$ 1,668,631</u>	<u>\$ 63,667</u>	<u>\$ 7,462,573</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 127,812	\$ -	\$ 127,812
State categorical aid	3,257,158	27,199	3,284,357
Other local	12,891	-	12,891
Total	\$ 3,397,861	\$ 27,199	\$ 3,425,060

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 (Restated) July 1, 2020	Additions/ Accretion	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 134,973,823	\$ 24,514,554	\$ (24,275,000)	\$ 135,213,377	\$ 4,800,000
Unamortized debt premiums	10,400,742	-	(1,771,937)	8,628,805	850,181
Qualified School Construction Bonds (QSCB) (blended component unit)	13,895,000	-	(1,370,000)	12,525,000	1,440,000
Capital leases	164,964	-	(132,778)	32,186	19,707
Compensated absences	12,127	-	(1,037)	11,090	-
Total	\$ 159,446,656	\$ 24,514,554	\$ (27,550,752)	\$ 156,410,458	\$ 7,109,888

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Payments on the QSCB are made by the Bond Interest and Redemption Fund, Capital lease payments are made from the General Fund. Compensated absence payments are made from the fund for which the employee works.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding (Restated) July 1, 2020	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
April 2011	8/1/2041	6.60%-8.54%	\$ 5,999,637	\$ 725,416	\$ -	\$ 62,381	\$ -	\$ 787,797
April 2011	8/1/2041	6.60%-8.54%	5,030,647	9,788,407	-	722,173	-	10,510,580
April 2014	8/1/2032	3.00%-5.00%	27,460,000	21,935,000	-	-	(9,350,000)	12,585,000
February 2015	8/1/2029	2.00%-5.00%	14,910,000	12,685,000	-	-	(825,000)	11,860,000
July 2015	8/1/2041	3.25%- 4.00%	9,100,000	8,285,000	-	-	(6,115,000)	2,170,000
July 2015	8/1/2040	4.00%-5.00%	29,000,000	22,100,000	-	-	(5,560,000)	16,540,000
March 2016	8/1/2035	2.00%-5.00%	11,940,000	11,810,000	-	-	(345,000)	11,465,000
April 2018	8/1/2042	2.00%-4.00%	30,000,000	27,240,000	-	-	(2,080,000)	25,160,000
September 2019	8/1/2030	1.92%-4.00%	23,000,000	20,405,000	-	-	-	20,405,000
August 2020	8/1/2032	1.74%-1.94%	9,260,000	-	9,260,000	-	-	9,260,000
August 2020	8/1/2040	0.34%-2.24%	14,470,000	-	14,470,000	-	-	14,470,000
				<u>\$ 134,973,823</u>	<u>\$ 23,730,000</u>	<u>\$ 784,554</u>	<u>\$ (24,275,000)</u>	<u>\$ 135,213,377</u>

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2022	\$ 4,800,000	\$ -	\$ 5,411,490	\$ 10,211,490
2023	5,260,000	-	5,208,627	10,468,627
2024	5,805,000	-	4,976,356	10,781,356
2025	6,395,000	-	4,720,744	11,115,744
2026	6,545,000	-	4,444,961	10,989,961
2027-2031	42,364,309	4,492,244	17,102,012	63,958,565
2032-2036	23,057,429	6,412,473	7,786,748	37,256,650
2037-2041	27,765,852	12,067,533	3,970,294	43,803,679
2042-2043	7,292,310	2,403,370	322,125	10,017,805
Total	129,284,900	<u>\$ 25,375,620</u>	<u>\$ 53,943,357</u>	<u>\$ 208,603,877</u>
Accretions to date	5,928,477			
Total	<u>\$ 135,213,377</u>			

On March 22, 2016, the District issued \$11,490,000 in general obligation refunding bonds to refund the District's outstanding 2008 Election, Series 2009, and a portion of the 2008 Election, Series 2011B bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The balance in the escrow account and the defeased debt outstanding at June 30, 2021 was \$1,328,822.

On August 20, 2020, the District issued \$9,260,000 in general obligation refunding bonds to refund a portion of the 2014 Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The balance in the escrow account at June 30, 2021 was \$8,931,524 and the outstanding principal of the defeased debt was \$8,175,000. The difference between the cash flows required to service the old debt and the new debt was \$707,864 savings to the District. The refunding bonds resulted in an economic gain of \$582,579.

Also, on August 20, 2020, the District issued \$14,470,000 in general obligation bonds to refund a portion of the School Facilities Improvement District No. 3 of Tracy Unified School District 2008 Election, Series 2015 and 2014 Election, Series 2015 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 future debt service payments. The balance in the escrow account at June 30, 2021 was \$13,776,891 and the outstanding principal of the defeased debt was \$11,505,000. The difference between the cash flows required to service the old debt and the new debt was \$2,450,011 savings to the District. The refunding bonds resulted in an economic gain of \$1,643,360.

Qualified School Construction Bonds (QSCB) (Blended Component Unit)

The outstanding QSCB is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
May 2011	5/1/2026	5.14%	\$ 19,770,000	\$ 13,895,000	-	\$ (1,370,000)	\$ 12,525,000

Bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 1,440,000	\$ 606,777	\$ 2,046,777
2023	1,520,000	530,705	2,050,705
2024	1,600,000	450,521	2,050,521
2025	1,685,000	366,097	2,051,097
2026	6,280,000	335,064	6,615,064
Total	\$ 12,525,000	\$ 2,289,164	\$ 14,814,164

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$11,090.

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:

	<u>Equipment</u>
Balance, July 1, 2020	\$ 164,964
Additions	-
Payments	<u>(132,778)</u>
Balance, June 30, 2021	<u><u>\$ 32,186</u></u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2022	\$ 19,707
2023	11,453
2024	<u>1,992</u>
Total	33,152
Less amount representing interest	<u>(966)</u>
Present value of minimum lease payments	<u><u>\$ 32,186</u></u>

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, 2021, 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	\$ 20,707,954	\$ 2,522,192	\$ 4,914,730	\$ 1,911,987
Medicare Premium Payment (MPP) Program	943,816	-	-	120,494
Total	<u>\$ 21,651,770</u>	<u>\$ 2,522,192</u>	<u>\$ 4,914,730</u>	<u>\$ 2,032,481</u>

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	<u>1,171</u>
Total	<u><u>1,250</u></u>

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 \$20,707,954 was measured as of June 30, 2020, 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	2.63 percent
Salary increases	2.75 percent per year
Investment return/discount rate	2.20 percent per year, net of expense
Healthcare cost trend rates	4.00 percent for 2020

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, 2020	\$ 17,392,076
Service cost	1,707,527
Interest	626,091
Differences between expected and actual experience	52,118
Changes of assumptions or other inputs	1,697,335
Benefit payments	(767,193)
Net change in total OPEB liability	3,315,878
Balance, June 30, 2021	\$ 20,707,954

Changes of assumptions and other inputs reflect a change in the discount rate from 3.5 percent in 2020 to 2.2 percent in 2021.

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 (1.20%)	\$ 21,779,824
Current discount rate (2.20%)	20,707,954
1% increase (3.20%)	19,336,030

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%)	\$ 19,712,767
Current healthcare cost trend rate (4%)	20,707,954
1% increase (5%)	21,661,234

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,911,987. At June 30, 2021, 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	\$ 666,254	\$ -
Differences between expected and actual experience	47,810	4,590,538
Changes of assumptions	1,808,128	324,192
Total	<u>\$ 2,522,192</u>	<u>\$ 4,914,730</u>

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
2022	\$ (320,692)
2023	(320,692)
2024	(320,692)
2025	(320,692)
2026	(320,692)
Thereafter	(1,455,332)
Total	<u>\$ (3,058,792)</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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, 2019 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, 2021, the District reported a liability of \$943,816 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, respectively, was 0.2227 percent, and 0.2211 percent, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2021, the District recognized OPEB expense of \$120,494.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	July 1, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, 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 2019) 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 294 or an average of 0.18 percent of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21 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 2.21 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29 percent from 3.50 percent as of June 30, 2019.

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 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	Net OPEB Liability
1% decrease (1.21%)	\$ 1,043,652
Current discount rate (2.21%)	943,816
1% increase (3.21%)	858,864

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 OPEB 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 (3.50% Part A and 4.40% Part B)	\$ 855,790
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	943,816
1% increase (5.50% Part A and 6.40% Part B)	1,045,150

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Stores inventories	265,703	-	-	98,325	364,028
Total nonspendable	280,703	-	-	98,325	379,028
Restricted					
Legally restricted programs	13,137,371	-	-	1,220,245	14,357,616
Food service	-	-	-	1,973,110	1,973,110
Capital projects	-	47,998,406	16,900,867	8,691,074	73,590,347
Debt services	-	-	-	12,495,268	12,495,268
Total restricted	13,137,371	47,998,406	16,900,867	24,379,697	102,416,341
Assigned					
Future One-time expenditures	42,212,271	-	-	-	42,212,271
Adult Education	27,090	-	-	-	27,090
Cafeteria Program	-	-	-	14,390	14,390
Deferred Maintenance	3,367,179	-	-	-	3,367,179
Other Assignment	10,793,563	-	-	18,904	10,812,467
Total assigned	56,400,103	-	-	33,294	56,433,397
Unassigned					
Reserve for economic uncertainties	4,546,437	-	-	-	4,546,437
Total unassigned	4,546,437	-	-	-	4,546,437
Total	\$ 74,364,614	\$ 47,998,406	\$ 16,900,867	\$ 24,511,316	\$ 163,775,203

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, 2021, 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 2021, the District participated in the San Joaquin County School Workers' Compensation (SJCSWC), an insurance purchasing pool. The intent of the SJCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SJCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SJCSWC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement 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	\$1,000,000.00
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, 2021, 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	\$ 123,863,711	\$ 28,826,988	\$ 8,170,715	\$ 15,797,324
CalPERS	55,460,733	7,035,580	907,269	11,126,870
Total	<u>\$ 179,324,444</u>	<u>\$ 35,862,568</u>	<u>\$ 9,077,984</u>	<u>\$ 26,924,194</u>

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, 2019, 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	16.15%	16.15%
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, 2021, are presented above and the District's total contributions were \$8,087,037.

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

At June 30, 2021, 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	\$ 123,863,711
State's proportionate share of the net pension liability	<u>63,851,758</u>
Total	<u><u>\$ 187,715,469</u></u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.1278 percent and 0.1250 percent, resulting in a net increase in the proportionate share of 0.0028 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$15,797,324. In addition, the District recognized pension expense and revenue of \$8,945,005 for support provided by the State. At June 30, 2021, 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	\$ 8,087,037	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,500,633	4,677,546
Differences between projected and actual earnings on pension plan investments	2,942,289	-
Differences between expected and actual experience in the measurement of the total pension liability	218,563	3,493,169
Changes of assumptions	<u>12,078,466</u>	<u>-</u>
Total	<u><u>\$ 28,826,988</u></u>	<u><u>\$ 8,170,715</u></u>

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
2022	\$ (1,795,367)
2023	1,002,491
2024	2,000,083
2025	1,735,082
Total	<u>\$ 2,942,289</u>

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
2022	\$ 2,330,393
2023	2,573,239
2024	4,055,384
2025	(88,142)
2026	467,665
Thereafter	288,408
Total	<u>\$ 9,626,947</u>

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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
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-2019) 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 January 2020 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	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%)	\$ 187,140,813
Current discount rate (7.10%)	123,863,711
1% increase (8.10%)	71,619,552

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, 2019 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	20.700%	20.700%

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, 2021, are presented above and the total District contributions were \$2,538,984.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$55,460,733. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.1808 percent and 0.1791 percent, resulting in a net increase in the proportionate share of 0.0017 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$11,126,870. At June 30, 2021, 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	\$ 2,538,984	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	388,020	907,269
Differences between projected and actual earnings on pension plan investments	1,154,517	-
Differences between expected and actual experience in the measurement of the total pension liability	2,750,682	-
Changes of assumptions	203,377	-
	<u>\$ 7,035,580</u>	<u>\$ 907,269</u>
Total	<u>\$ 7,035,580</u>	<u>\$ 907,269</u>

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
2022	\$ (432,043)
2023	385,368
2024	669,834
2025	531,358
	<u>1,154,517</u>
Total	<u>\$ 1,154,517</u>

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
2022	\$ 1,787,227
2023	673,432
2024	(16,531)
2025	(9,318)
Total	<u>\$ 2,434,810</u>

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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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%)	\$ 79,734,917
Current discount rate (7.15%)	55,460,733
1% increase (8.15%)	35,314,378

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 not 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 \$7,226,131 (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 and 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, 2021.

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, 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, 2021, the District made payments of \$1,731,917 to San Joaquin County Schools Workers' Compensation and \$490,384 to San Joaquin County Schools Data Processing joint powers authority.

Note 16 - Restatement of Prior Year Net Position and Fund Balance

Adoption of GASB Statement No. 84

As of July 1, 2020, the Tracy Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, The District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund.

Correction of Errors

As of July 1, 2020, the Tracy Unified School District restated opening fund balance and net position to reflect the correction of prior periods errors:

As of June 30, 2020, the District recognized a long-term liability for the long-term advance to its blended component unit. If the internal advance had been appropriately accounted for in the fund level statements, the internal advance should have been eliminated on the government-wide/governmental activities financial statements. As a result, the opening net position of governmental activities was restated to remove the previously reported long-term liability for the internal advance.

In addition, as of June 30, 2020, the District did not appropriately account for the long-term debt of its blended component unit, TSFFA. As a result, the District restated opening net position of governmental activities to reflect the outstanding balance of the Qualified School Construction Bonds (QSCB) in the amount of \$13,895,000.

Lastly, as of June 30, 2020, the District incorrectly recorded principal repayment on the Measure B, Election 2014, Series 2019 Bonds as interest expense rather than reducing the principal balance.

The following table describes the effects of the implementation of GASB 84, *Fiduciary Fund* on beginning fund balance/net position, and the corrections of the errors mentioned above.

	Non - Major Governmental Funds	Total Governmental Funds
Fund balance as of June 30, 2020, as previously reported	\$ 14,033,309	\$ 152,864,071
To account for changes in major funds, prior to error corrections or implementation of new standards:		
Building fund is not considered a major fund in the current period	7,245,998	-
Fund balance as of July 1, 2020, as previously reported after accounting for change in major funds	21,279,307	152,864,071
To account for adoption of GASB 84:		
Reclassification of student activity funds from an agency fund to a special revenue fund	1,209,311	1,209,311
Fund Balance - Beginning as Restated July 1, 2020	<u>\$ 22,488,618</u>	<u>\$ 154,073,382</u>
Net Position as of July 1, 2020, as previously reported		\$ 198,722,046
To account for adoption of GASB 84:		
Reclassification of student activity funds from an agency fund to a special revenue fund		1,209,311
To account for correction of errors:		
To remove internal advance liability that should have been eliminated		11,091,000
To add QSCBs long-term debt		(13,895,000)
To account for prior year principal payments, improperly reflected as interest expense		<u>2,595,000</u>
Net Position as of July 1, 2020, as restated		<u>\$ 199,722,357</u>

The effect of the error on the prior year change in net position was an increase of \$2,595,000.



Required Supplementary Information
June 30, 2021

Tracy Unified School District

Tracy Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 130,301,869	\$ 142,814,200	\$ 142,814,200	\$ -
Federal sources	6,571,620	19,992,319	19,753,016	(239,303)
Other State sources	10,696,717	19,841,741	19,841,741	-
Other local sources	4,060,465	6,193,493	6,432,796	239,303
Total revenues ¹	151,630,671	188,841,753	188,841,753	-
Expenditures				
Current				
Certificated salaries	70,154,755	70,294,482	69,809,495	484,987
Classified salaries	25,973,937	23,162,492	22,990,574	171,918
Employee benefits	37,446,528	37,994,648	37,760,910	233,738
Books and supplies	10,080,478	14,590,998	14,502,338	88,660
Services and operating expenditures	17,209,781	21,533,071	21,200,337	332,734
Other outgo	2,362,925	2,189,020	1,722,333	466,687
Capital outlay	559,000	1,347,145	866,953	480,192
Debt service				
Debt service - principal	48,837	45,657	45,657	-
Total expenditures ¹	163,836,241	171,157,513	168,898,597	2,258,916
Excess (Deficiency) of Revenues Over Expenditures	(12,205,570)	17,684,240	19,943,156	2,258,916
Other Financing Sources (Uses)				
Transfers in	-	55,901	55,901	-
Transfers out	32,824	602,328	(602,328)	(1,204,656)
Other uses - transfers between agencies	-	-	(2,268,446)	(2,268,446)
Net financing sources (uses)	32,824	658,229	(2,814,873)	(3,473,102)
Net Change in Fund Balances	(12,172,746)	18,342,469	17,128,283	(1,214,186)
Fund Balance - Beginning	57,236,331	57,236,331	57,236,331	-
Fund Balance - Ending	\$ 45,063,585	\$ 75,578,800	\$ 74,364,614	\$ (1,214,186)

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.

Tracy Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

Measurement Date	2021 <u>June 30, 2020</u>	2020 <u>June 30, 2019</u>	2019 <u>June 30, 2018</u>	2018 <u>June 30, 2017</u>
Total OPEB Liability				
Service cost	\$ 1,707,527	\$ 1,884,786	\$ 1,834,342	\$ 1,785,248
Interest	626,091	804,894	749,658	627,805
Experience (Gain)/Losses	52,118	(5,455,251)	-	-
Difference between expected and actual experience	-	(44,305)	-	-
Changes of assumptions	1,697,335	300,787	(431,070)	-
Benefit payments	<u>(767,193)</u>	<u>(720,057)</u>	<u>(684,766)</u>	<u>(658,429)</u>
Net change in total OPEB liability	3,315,878	(3,229,146)	1,468,164	1,754,624
Total OPEB Liability - Beginning	<u>17,392,076</u>	<u>20,621,222</u>	<u>19,153,058</u>	<u>17,398,434</u>
Total OPEB Liability - Ending	<u>\$ 20,707,954</u>	<u>\$ 17,392,076</u>	<u>\$ 20,621,222</u>	<u>\$ 19,153,058</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>

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.

Tracy Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	No information 2019	No information 2018
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of the net OPEB liability	0.2227%	0.2211%	0.0000%	0.0000%
Proportionate share of the net OPEB liability	\$ 943,816	\$ 823,322	\$ -	\$ -
Covered payroll	N/A ¹	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	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-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.

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

Tracy Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018	2017
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
CalSTRS					
Proportion of the net pension liability	0.1278%	0.1250%	0.1209%	0.1256%	0.1218%
Proportionate share of the net pension liability	\$ 123,863,711	\$ 112,874,836	\$ 111,093,896	\$ 116,192,524	\$ 98,505,968
State's proportionate share of the net pension liability	63,851,758	61,580,759	63,606,451	68,738,516	56,077,690
Total	\$ 187,715,469	\$ 174,455,595	\$ 174,700,347	\$ 184,931,040	\$ 154,583,658
Covered payroll	\$ 70,429,854	\$ 68,669,361	\$ 64,459,751	\$ 66,386,471	\$ 62,268,136
Proportionate share of the net pension liability as a percentage of its covered payroll	175.87%	164.37%	172.35%	175.02%	158.20%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%
CalPERS					
Proportion of the net pension liability	0.1808%	0.1791%	0.1765%	0.1750%	0.1772%
Proportionate share of the net pension liability	\$ 55,460,733	\$ 52,186,050	\$ 47,068,348	\$ 41,774,500	\$ 35,001,190
Covered payroll	\$ 26,014,467	\$ 25,117,246	\$ 23,513,476	\$ 21,966,871	\$ 21,068,524
Proportionate share of the net pension liability as a percentage of its covered payroll	213.19%	207.77%	200.18%	190.17%	166.13%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%

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

Tracy Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2016	2015
Measurement Date	June 30, 2015	June 30, 2014
CalSTRS		
Proportion of the net pension liability	0.1397%	0.1324%
Proportionate share of the net pension liability	\$ 94,050,907	\$ 77,395,022
State's proportionate share of the net pension liability	49,742,562	46,734,456
Total	\$ 143,793,469	\$ 124,129,478
Covered payroll	\$ 60,274,471	61,544,416
Proportionate share of the net pension liability as a percentage of its covered payroll	156.04%	126%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
Proportion of the net pension liability	0.1750%	0.1826%
Proportionate share of the net pension liability	\$ 25,791,744	\$ 20,733,500
Covered payroll	\$ 19,354,226	19,069,634
Proportionate share of the net pension liability as a percentage of its covered payroll	133.26%	109%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

Tracy Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	\$ 8,087,037	\$ 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	8,087,037	12,043,505	11,179,372	9,301,542	8,351,418	6,681,371	5,352,373
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 69,198,364	\$ 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	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	\$ 2,538,984	\$ 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	2,538,984	5,130,313	4,536,677	3,651,878	3,050,759	2,495,988	2,278,186
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 26,356,349	\$ 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	20.700%	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.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate assumption changed from 3.5 to 2.2 % since the previous valuation.

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 3.50 % to 2.21 % 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, 2021

Tracy Unified School District

Tracy Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
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	\$ 2,481,874
Special Education Basic Local Assistance Entitlement, Part B, Section 611, Private School ISP's	84.027	10115	13,020
Special Education Preschool Grants - Preschool Staff Development	84.173	13430	<u>52,159</u>
Total Special Education Cluster			<u>2,547,053</u>
Adult Education			
Basic Grants to States-Basic Education and ESL	84.002	14508	1,893
Basic Grants to States-Adult Secondary Education	84.002	13978	<u>5,206</u>
Subtotal			<u>7,099</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)			
ESSER I	84.425D	15536	2,055,126
ESSER II	84.425D	15547	1,795,990
COVID-19 Governor's Emergency Education Relief (GEER)	84.425C	15517	<u>808,810</u>
Subtotal			<u>4,659,926</u>
Title I Grants to Local Educational Agencies	84.010	14329	1,960,228
Title II Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	308,062
Title III English Language Acquisition State Grants	84.365	14346	377,523
Title IV Student Support and Academic Enrichment Program	84.424	15396	475,327
Career and Technical Education - Basic Grants to States	84.048	14894	117,752
Indian Education	84.060	10011	<u>26,543</u>
Total U.S. Department of Education			<u>10,479,513</u>

Tracy Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury			
Passed Through California Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	25516	9,273,503
Total U.S. Department of Treasury			9,273,503
U.S. Department of Health and Human Services			
Passed Through California Department of Education			
CCDF Cluster			
COVID-19 Child Development Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)	93.575	15555	18,743
Total U.S. Department of Health and Human Services			18,743
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
Seamless Summer Option	10.555	13391	1,971,733
Commodity Supplemental Food	10.555	13755	184,822
Total Child Nutrition Cluster			2,156,555
Child and Adult Care Food Program	10.558	Unavailable	1,032,216
Total U.S. Department of Agriculture			3,188,771
Total Federal Financial Assistance			\$ 22,960,530

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, one charter school, 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. Brian R. Stephens	Superintendent
Dr. Rob Pecot	Associate Superintendent of Business Services
Julianna Stocking	Associate Superintendent of Educational Services
Tammy Jalique	Associate Superintendent of Human Resources
Reed Call	Director of Financial Services

Tracy Unified School District
Schedule of Instructional Time
Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Tracy Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

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

	<u>Student Activity Fund</u>
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 1,527,901
Decrease in Cash	<u>(393,662)</u>
Balance, June 30, 2021, Audited Financial Statements	<u><u>\$ 1,134,239</u></u>

Tracy Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues	\$ 184,328,367	\$ 188,841,753	\$ 170,887,801	\$ 171,802,075
Other sources	-	55,901	-	-
Total Revenues and Other Sources	184,328,367	188,897,654	170,887,801	171,802,075
Expenditures	189,956,351	168,898,597	163,941,317	166,627,563
Other uses and transfers out	-	2,870,774	2,861,956	2,837,267
Total Expenditures and Other Uses	189,956,351	171,769,371	166,803,273	169,464,830
Increase/(Decrease) in Fund Balance	(5,627,984)	17,128,283	4,084,528	2,337,245
Ending Fund Balance	\$ 68,736,630	\$ 74,364,614	\$ 57,236,331	\$ 53,151,803
Available Reserves ²	\$ 5,531,566	\$ 4,546,437	\$ 4,943,201	\$ 5,084,304
Available Reserves as a Percentage of Total Outgo	2.91%	2.65%	2.96%	3.00%
Long-Term Liabilities	Not Available	\$ 357,386,672	\$ 342,513,940	\$ 317,251,060
K-12 Average Daily Attendance at P-2	13,557	13,879	13,879	13,981

The General Fund balance has increased by \$21,212,811 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$5,627,984 (7.6 %). For a district this size, the State recommends available reserves of at least 3 % of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$40,135,612 over the past two years.

Average daily attendance has decreased by 102 over the past two years. Additional decline of 322 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 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.

Tracy Unified School District
Schedule of Charter Schools
Year Ended June 30, 2021

Name of Charter School	Charter Number	Included in Audit Report
Discovery Charter	0355	No
Primary Charter	0607	No
Millennium Charter	0606	No
Tracy Independent Study Charter	2090	Yes

Tracy Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 1,134,239	\$ (590,058)	\$ 3,374	\$ 1,544,406	\$ 7,280,483	\$ 572,982	\$ 12,495,268	\$ 22,440,694
Receivables	-	125,281	98,811	625,650	6,549	515	-	856,806
Due from other funds	-	602,328	-	-	832,276	-	-	1,434,604
Stores inventories	-	-	-	98,325	-	-	-	98,325
Total assets	\$ 1,134,239	\$ 137,551	\$ 102,185	\$ 2,268,381	\$ 8,119,308	\$ 573,497	\$ 12,495,268	\$ 24,830,429
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 1,810	\$ 6,291	\$ 55,566	\$ -	\$ -	\$ -	\$ 63,667
Due to other funds	-	90,973	10,284	126,990	-	-	-	228,247
Unearned revenue	-	7,424	19,775	-	-	-	-	27,199
Total liabilities	-	100,207	36,350	182,556	-	-	-	319,113
Fund Balances								
Nonspendable	-	-	-	98,325	-	-	-	98,325
Restricted	1,134,239	20,171	65,835	1,973,110	8,119,308	571,766	12,495,268	24,379,697
Assigned	-	17,173	-	14,390	-	1,731	-	33,294
Total fund balances	1,134,239	37,344	65,835	2,085,825	8,119,308	573,497	12,495,268	24,511,316
Total liabilities and fund balances	\$ 1,134,239	\$ 137,551	\$ 102,185	\$ 2,268,381	\$ 8,119,308	\$ 573,497	\$ 12,495,268	\$ 24,830,429

Tracy Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2021

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Building Fund
Revenues					
Local Control Funding Formula	\$ -	\$ 447,202	\$ -	\$ -	\$ -
Federal sources	-	-	18,743	3,188,771	-
Other State sources	-	93,841	311,312	289,252	-
Other local sources	666,415	-	9,864	31,461	873,310
Total revenues	666,415	541,043	339,919	3,509,484	873,310
Expenditures					
Current					
Instruction	-	1,024,905	177,657	-	-
Instruction-related activities					
Supervision of instruction	-	-	61,684	-	-
School site administration	-	2,557	71,515	-	-
Pupil services					
Food services	-	-	-	2,125,854	-
All other pupil services	-	10,012	-	-	-
Administration					
All other administration	-	12,652	10,284	69,142	-
Plant services	-	-	-	121,279	-
Ancillary services	741,487	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	741,487	1,050,126	321,140	2,316,275	-
Excess (Deficiency) of Revenues Over Expenditures	(75,072)	(509,083)	18,779	1,193,209	873,310
Other Financing Sources (Uses)					
Transfers in	-	602,328	-	-	-
Other sources - bond proceeds	-	-	-	-	-
Transfers out	-	(55,901)	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-	-	-
Net Financing Sources (Uses)	-	546,427	-	-	-
Net Change in Fund Balances	(75,072)	37,344	18,779	1,193,209	873,310
Fund Balance - Beginning, as restated	1,209,311	-	47,056	892,616	7,245,998
Fund Balance - Ending	\$ 1,134,239	\$ 37,344	\$ 65,835	\$ 2,085,825	\$ 8,119,308

Tracy Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2021

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Revenues			
Local Control Funding Formula	\$ -	\$ -	\$ 447,202
Federal sources	-	303,545	3,511,059
Other State sources	-	56,312	750,717
Other local sources	2,945	11,139,592	12,723,587
	<u>2,945</u>	<u>11,139,592</u>	<u>12,723,587</u>
Total revenues	<u>2,945</u>	<u>11,499,449</u>	<u>17,432,565</u>
Expenditures			
Current			
Instruction	-	-	1,202,562
Instruction-related activities			
Supervision of instruction	-	-	61,684
School site administration	-	-	74,072
Pupil services			
Food services	-	-	2,125,854
All other pupil services	-	-	10,012
Administration			
All other administration	-	-	92,078
Plant services	-	-	121,279
Ancillary services	-	-	741,487
Debt service			
Principal	-	5,965,000	5,965,000
Interest and other	-	5,934,855	5,934,855
	<u>-</u>	<u>11,899,855</u>	<u>16,328,883</u>
Total expenditures	<u>-</u>	<u>11,899,855</u>	<u>16,328,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,945</u>	<u>(400,406)</u>	<u>1,103,682</u>
Other Financing Sources (Uses)			
Transfers in	-	-	602,328
Other sources - bond proceeds	-	23,730,000	23,730,000
Transfers out	-	-	(55,901)
Other uses - payment to refunded bond escrow agent	-	(23,357,411)	(23,357,411)
	<u>-</u>	<u>372,589</u>	<u>919,016</u>
Net Financing Sources (Uses)	<u>-</u>	<u>372,589</u>	<u>919,016</u>
Net Change in Fund Balances	2,945	(27,817)	2,022,698
Fund Balance - Beginning, as restated	<u>570,552</u>	<u>12,523,085</u>	<u>22,488,618</u>
Fund Balance - Ending	<u>\$ 573,497</u>	<u>\$ 12,495,268</u>	<u>\$ 24,511,316</u>

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Tracy Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance, or cash flows of District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had food commodities totaling \$184,822 in inventory.

SEFA Reconciliation

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 SEFA.

Description	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Total Federal Revenues reported on the financial statements		\$ 23,264,075
Federal interest subsidy	NA	(303,545)
Total schedule of expenditures of federal awards		<u>\$ 22,960,530</u>

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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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 Balance Sheet and 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.

District re-evaluated the presentation of the Debt Service Fund for Blended Component Units (blended component unit) and determined it was more appropriate to blend within the Bond Interest and Redemption fund. Accordingly, beginning fund balance has been updated to account for the consolidation of the funds.



Independent Auditor's Reports
June 30, 2021

Tracy Unified School District



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, 2021, 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 29, 2022.

Report on 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 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 identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on 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 Findings

Tracy Unified School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Tracy Unified School 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 it.

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.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

San Ramon, California
March 29, 2022



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, 2021. 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, 2021.

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.

A handwritten signature in black ink that reads "Esde Sully LLP". The signature is written in a cursive, flowing style.

San Ramon, California
March 29, 2022



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 *2020-2021 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, 2021.

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 *2020-2021 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 and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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
K-3 Grade Span Adjustment	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	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

Early Retirement Incentive

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

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.

California Clean Energy Jobs Act

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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.

Non Classroom-Based Instruction/Independent Study, Determination of Funding for Non Classroom-Based Instruction

We did not perform procedures related to Non Classroom-Based Instruction/Independent Study and Determination of Funding for Non Classroom-Based Instruction because the charter school was not classified as a non classroom-based charter school as of the 2019-20 fiscal year.

Charter School Facility Grant Program

We did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

Unmodified Opinion

In our opinion, Tracy Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Bailly LLP". The signature is written in a cursive, flowing style.

San Ramon, California
March 29, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Tracy Unified School District

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(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)	
ESSER I	84.425D
ESSER II	84.425D
COVID-19 Governor's Emergency Education Relief Fund	84.425C
COVID-19 Coronavirus Relief Fund-Learning Loss Mitigation	21.019
Child Nutrition Cluster	10.555/10.553
Child and Adult Care Food Program	10.558
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified
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The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

2021-001 Material Audit Adjustment

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are being prepared for the audit free from material misstatement, whether due to error or fraud.

Condition

We proposed a material audit adjustment to the student activity fund trial balance which was recorded and included in this report. The District's student activity fund associated student body (ASB) revenues and expenditures were not accurately recorded.

Cause

This was the first year of GASB Statement No. 84, *Fiduciary Activities*, implementation. To determine the ASB accounts beginning balances, the District downloaded the trial balances from the ASB accounting software. Those accounts included cash balances that were included in the general fund miscellaneous clearing account. This resulted in inaccurate amounts recorded in the student activity fund.

Effect

A material audit adjustment was necessary to properly implement GASB Statement No. 84, *Fiduciary Activities*, and to present the financial statements in accordance with Generally Accepted Accounting Principles. Control deficiencies could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation

We recommend that management review the design of the District's internal controls over reconciliation of the student activity fund transactions to ensure all ASB transactions are recorded in the proper general ledger accounts.

Repeat Finding

No.

Corrective Action Plan and Views of Responsible Officials

We concur with this finding. Our school sites have operated student body funds for many years with District oversight. We have designed a control procedure to ensure ASB accounts downloaded from the ASB accounting software and recorded to the student activity fund are reviewed and verified for accuracy prior to the general ledger (also see page 96 below).

2021-002 Material Audit Adjustments and Restatement

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are being prepared for the audit free from material misstatement, whether due to error or fraud.

Condition

As of June 30, 2020, the District recognized a long-term liability for the long-term advance to its blended component unit. If the internal advance had been appropriately accounted for in the fund level statements, the internal advance should have been eliminated on the government-wide/governmental activities financial statements. As a result, the opening net position of governmental activities was restated to remove the previously reported long-term liability for the internal advance. In addition, as of June 30, 2020, the District did not appropriately account for the long-term debt of its blended component unit, TSFFA. As a result, the District restated opening net position of governmental activities to reflect the outstanding balance of the Qualified School Construction Bonds (QSCB) in the amount of \$13,895,000. Lastly, as of June 30, 2020, the District incorrectly recorded \$2,595,000 principal repayments on the Measure B, 2014 Election, Series 2019 bonds as interest expense rather than reducing the principal balance.

We proposed a material audit adjustment to correct the errors noted above. These adjustments resulted in a restatement of the beginning net position in the government-wide financial statements. Additionally, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause

The District's internal control system designed to provide for the preparation and fair presentation of the financial statements was not operating at an optimal level.

Effect

Material audit adjustments were necessary to present the financial statements in accordance with Generally Accepted Accounting Principles.

Recommendation

We recommended corrections to appropriately account for the TSFFA activity. The District made revisions to the financial statements as of June 30, 2021. We recommend management improve controls over the financial statement preparation process to ensure transactions are properly recorded and that all activities presented are correct.

Repeat Finding

No.

Corrective Action Plan and Views of Responsible Officials

We agree with the finding. Tracy Unified School District will perform a more in-depth analysis of the conversion entry to ensure compliance with GASB. With the Auditor's clarification it is unlikely that TSFFA debt service principal and interest payments will be incorrectly reported in the future.



TRACY
UNIFIED SCHOOL DISTRICT

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to the educated"*

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2021-001 Material Audit Adjustment

Corrective Action Plan and Views of Responsible Officials

We concur with this finding. Our school sites have operated student body funds for many years with District oversight. We have designed a control procedure to ensure ASB accounts downloaded from the ASB accounting software and recorded to the student activity fund are reviewed and verified for accuracy prior to recording in the general ledger.

Name and Contact Information

Lori Nelson, Budget Analyst
Email : lnelson@tusd.net

2021-002 Material Audit Adjustment and Restatement

Corrective Action Plan and Views of Responsible Officials

We agree with the finding. Tracy Unified School District will perform a more in-depth analysis of the conversion entry to ensure compliance with GASB. With the Auditor's clarification it is unlikely that TSFFA debt service principal and interest payments will be incorrectly reported in the future.

Name and Contact Information

Reed Call, Director of Financial Services
Email : rcall@tusd.net

None reported.

None reported.

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

Financial Statement Findings

2020-001 Accounts Receivable (30000)

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.

Repeat Finding

No

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.

Current Status

Implemented.

State Compliance Finding

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.

Current Status

Implemented.