

**TRACY UNIFIED  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2008**

**TRACY UNIFIED SCHOOL DISTRICT**  
**OF SAN JOAQUIN COUNTY**  
**TRACY, CALIFORNIA**  
**JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
James Vaughn	President	2008
Ted Guzman	Vice President	2010
Bill Swenson	Clerk	2010
Tom Hawkins	Member	2008
Gregg Crandall	Member	2010
Kelly Lewis	Member	2008
Vacant	Member	2010

**ADMINISTRATION**

Dr. James C. Franco	Superintendent
James Mousalimas	Assistant Superintendent, Human Resources
Dr. Sheila Harrison	Assistant Superintendent, Educational Services
Dr. Casey Goodall	Associate Superintendent, Business Services
Reed Call	Director of Financial Services

# TRACY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2008

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***FINANCIAL SECTION***

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Governing Board  
Tracy Unified School District  
Tracy, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tracy Unified School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tracy Unified School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis, budgetary comparison, and other post-employment benefits information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has/have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Vavinek, Trine, Day & Co LLP

Pleasanton, California  
December 15, 2008

# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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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, 2008. 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 Statement No. 34.

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

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

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

*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 Assets and the Statement of Activities

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

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* 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.

# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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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 Assets* and the *Statement of Activities*, we report the District activities as follows:

**Governmental Activities** - Most 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** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$295.9 million for the fiscal year ended June 30, 2008. Of this amount, \$6.5 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**TABLE 1**

	Governmental Activities	
	2008	2007
Current and other assets	\$ 146.0	\$ 92.6
Capital assets	199.5	165.6
<b>Total Assets</b>	<b>345.5</b>	<b>258.2</b>
Current liabilities	14.8	5.5
Long-term debt	34.8	13.5
<b>Total Liabilities</b>	<b>49.6</b>	<b>19.0</b>
Net assets		
Invested in capital assets, net of related debt	176.5	161.1
Restricted	112.9	61.1
Unrestricted	6.5	17.1
<b>Total Net Assets</b>	<b>\$ 295.9</b>	<b>\$ 239.3</b>

The \$6.5 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.

#### Changes in Net Assets - Governmental Activities

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 12. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

TABLE 2

(Amounts in millions)

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 5.6	\$ 7.6
Operating grants and contributions	24.9	23.8
Capital grants and contributions	48.9	1.0
General revenues:		
Federal and State aid	72.7	70.9
Property taxes	35.4	32.2
Other general revenues	8.0	10.9
<b>Total Revenues</b>	<b>195.5</b>	<b>146.4</b>
<b>Expenses</b>		
Instruction-related	105.8	98.6
Student support services	11.1	10.3
Administration	6.1	5.7
Maintenance and operations	12.8	11.9
Other	3.1	3.9
<b>Total Expenses</b>	<b>138.9</b>	<b>130.4</b>
<b>Change in Net Assets</b>	<b>\$ 56.6</b>	<b>\$ 16.0</b>

As reported in the Statement of Activities on page 12, the cost of all of our governmental activities this year was \$138.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$35.4 million because the cost was paid by those who benefited from the programs (\$5.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$73.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$24.1 million in State and Federal funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's 7 largest functions: regular instructions, instruction related activities, pupil services, general administration, plant services and construction, and ancillary and community services, and other, as well as each program's *net* cost (total cost less revenues generated by the activities). 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.

# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

**TABLE 3**

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$ (88.9)	\$ (82.8)	\$ (26.0)	\$ (67.8)
Instruction related activities	(16.9)	(15.8)	(13.4)	(12.8)
Pupil services	(11.1)	(10.3)	(5.2)	(4.4)
General administration	(6.1)	(5.7)	(5.3)	(4.9)
Plant services and construction	(12.8)	(11.9)	(12.3)	(11.3)
Ancillary and community service	(1.2)	(1.0)	(1.2)	(1.0)
Other	(1.9)	(2.9)	3.7	4.2
<b>Totals</b>	<b>\$ (138.9)</b>	<b>\$ (130.4)</b>	<b>\$ (59.7)</b>	<b>\$ (98.0)</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$131.23 million, which is an increase of \$43.4 million from last year (Table 4).

**TABLE 4**

(Dollar amounts in millions)	Fund Balance	
	June 30, 2008	June 30, 2007
General	\$ 13.40	\$ 15.4
Building	10.26	9.70
Cafeteria	2.07	1.70
Child Development	-	0.04
Adult Education	0.23	0.50
Deferred Maintenance	2.45	1.70
Special Reserve	14.10	8.70
Bond Interest and Redemption	2.80	1.50
County School Facilities	41.56	3.60
Capital Project for Blended Component Units	-	-
Capital Facilities	44.36	45.00
<b>Totals</b>	<b>\$ 131.23</b>	<b>\$ 87.84</b>

# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The primary reasons for these changes between 2007 and 2008 are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund decreased \$2 million to \$13.4 million. This decrease is the net result of reduced expenditures and an inter-fund transfer to the Special Reserve Fund. During the 2007-08 fiscal year, the District reduced its expenditures in an attempt to offset the consequences of significant reductions to the California State Budget proposed for the 2008-09 fiscal year.
- The County School Facilities Fund increased \$38 million to \$41.6 million. This increase was primarily due to amounts received from the State to fund construction projects including John C. Kimball High School.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. The final amendment to the budget was adopted in June, 2008. 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 47.

The primary reasons for the changes in the revenues and expenditures between the original and final budgets and the actual amounts are:

- \$6.2 million of restricted program (categorical) funds were not spent during the current year as projected in the final budget. These amounts will be expended in future years.
- Transfer of \$5 million from the General Fund to the Special Reserve Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had \$263.5 million in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, of \$38.6 million, or 17 percent, from last year (Table 5).

**TABLE 5**

(Amounts in millions)

	Capital Assets	
	2008	2007
Land and construction in progress	\$ 65.7	\$ 30.9
Buildings and improvements	191.0	187.7
Equipment	6.8	6.3
Subtotals	263.5	224.9
Accumulated Depreciation	(64.0)	(59.2)
Net Capital Assets	\$ 199.5	\$ 165.7

# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

This year's additions of \$38.6 million included the continuation of construction projects, primarily at Tracy High, West High, and Kimball High Schools and the purchase of equipment and vehicles. \$20 million in debt was issued for the additions to Tracy and West High Schools.

Several capital projects are planned for the 2008-2009 year. We do not expect full completion of most of these projects; consequently we anticipate \$41 million in capital additions for the 2008-09 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

### Long-Term Obligations

The District's obligations include general obligations bonds, compensated absences payable, capital leases and other postemployment benefits. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements. The major increase in long-term obligations is due to the issuance of general obligation bonds during the year.

**TABLE 6**

(Amounts in millions)

	Long Term Obligations	
	2008	2007
General obligation bonds (financed with property taxes)	\$ 33.0	\$ 14.0
Compensated absences	0.1	0.1
Capital leases	0.3	0.4
Other Postemployment Benefits	1.3	-
<b>Totals</b>	<b>\$ 34.7</b>	<b>\$ 14.5</b>

### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-08 ARE NOTED BELOW:

- Efficiently completed many projects of Measure E, the \$51 million dollar bond to rebuild and repair Tracy High School and complete West High School. These projects include the stadium and aquatic center at West High and the new classroom and administration building at Tracy High.
- Continued planning the remaining projects of the Measure E project list and made significant process in each area.
- Continued planning for newest high school, John Kimball High School, set to open in August of 2009. Significant accomplishments on this school include redrawing boundary lines to include the new high school and hiring the school principal.
- Advanced work on implementing "Continuous Improvement Model" through implementation of the DataWise Data Warehouse system allowing teachers and administrators quick and easy access to student assessment data. Also continued Data Teams at the district and site level allowing district and sites to effectively analyze data on a regular basis in order to monitor student achievement and program effectiveness.
- Emphasized the increased use of the data warehouse, DataWise, to track student assessment information including formative and summative assessments. A district wide assessment calendar was developed to schedule the administration and entry of scores for district formative assessments.
- Implemented new Open Court assessments from Reading Lions at grades 2 through 5 to provide assessment results aligned to state testing.
- Ten sites implemented the ExCEL program developed by the Hesperia School District.

# TRACY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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- Provided teachers intensive English Language Learner training, new materials and programs to specifically assist this population. Continued EL training program with the San Joaquin County Office of Education.
- Continued to refine and improve the use of: Open Court and Holt standards aligned materials; Lectura language arts materials for Spanish speakers; and a variety of curricular materials for English language development including: Visions, Shining Star and Santillana.
- Continued to offer CAHSEE remediation courses and PLATO software to assist students in need of remediation.
- Continued offering AVID program for grades 7-12.
- Continued to make student and staff safety our number one priority by developing the District School Safety Task Force.
- Continued to train staff and collect resources to support anti-bullying and tolerance efforts.
- Presented Student Leadership Conference to students in grades 8-12.
- Continued to enhance and expand work toward a seamless and paperless environment through increased use of the staff portal system and email.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2008-2009 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limits income.
2. Interest earnings may increase due to an anticipated increase in market interest rates.
3. Developer mitigation fees (collected in accordance with State guidelines) are based on the approximate number of new housing units to be constructed.
4. Federal income will increase due to the increased population of qualified students.
5. State income will increase due to the population of qualified students.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	21.1:1	4559
Grades four through eight	24.2:1	5565
Grades nine through twelve	24.5:1	6214

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

# TRACY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 134,009,865
Receivables	11,585,964
Stores inventories	348,502
Capital assets not depreciated	65,714,418
Capital assets, net of accumulated depreciation	133,824,969
<b>Total Assets</b>	<b>345,483,718</b>
<b>LIABILITIES</b>	
Accounts payable	13,582,189
Interest payable	840,805
Deferred revenue	433,909
Current portion of long-term obligations	1,358,000
Noncurrent portion of long-term obligations	33,392,916
<b>Total Liabilities</b>	<b>49,607,819</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	176,489,514
Restricted for:	
Debt service	1,958,168
Capital projects	85,917,762
Educational programs	6,198,975
Other activities	18,862,221
Unrestricted	6,449,259
<b>Total Net Assets</b>	<b>\$ 295,875,899</b>

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

# TRACY UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 88,866,082	\$ 712,952	\$ 13,302,098	\$ 48,811,338	\$ (26,039,694)
Instruction-related activities:					
Supervision of instruction	3,740,386	52,605	2,088,820	-	(1,598,961)
Instructional library, media, and technology	3,737,960	65,847	371,593	-	(3,300,520)
School site administration	9,455,789	93,328	912,982	-	(8,449,479)
Pupil services:					
Home-to-school transportation	2,788,012	127,438	853,959	-	(1,806,615)
Food services	3,565,285	1,739,162	2,179,257	-	353,134
All other pupil services	4,775,602	4,785	1,070,442	-	(3,700,375)
General administration:					
All other general administration	6,123,568	98,574	685,707	-	(5,339,287)
Plant services	12,797,911	55,057	412,112	-	(12,330,742)
Ancillary services	899,885	-	15,943	-	(883,942)
Community services	300,183	-	-	-	(300,183)
Interest on long-term debt	1,244,909	-	-	-	(1,244,909)
Other outgo	673,221	2,642,963	2,976,473	-	4,946,215
<b>Total Governmental-Type Activities</b>	<b>\$ 138,968,793</b>	<b>\$ 5,592,711</b>	<b>\$ 24,869,386</b>	<b>\$ 48,811,338</b>	<b>(59,695,358)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					31,921,590
Property taxes, levied for debt service					2,995,063
Taxes levied for other specific purposes					497,260
Federal and State aid not restricted to specific purposes					72,735,595
Interest and investment earnings					1,699,163
Interagency revenues					35,178
Special and extraordinary items					960,299
Miscellaneous					5,411,399
<b>Subtotal, General Revenues</b>					<b>116,255,547</b>
<b>Change in Net Assets</b>					<b>56,560,189</b>
Net Assets - Beginning					239,315,710
Net Assets - Ending					<u>\$ 295,875,899</u>

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



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# TRACY UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Capital Facilities Fund	County School Facilities Fund
<b>ASSETS</b>			
Deposits and investments	\$ 11,310,581	\$ 43,952,855	\$ 51,963,695
Receivables	9,608,971	409,853	231,273
Due from other funds	236,370	-	-
Stores inventories	255,002	-	-
<b>Total Assets</b>	<b>\$ 21,410,924</b>	<b>\$ 44,362,708</b>	<b>\$ 52,194,968</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,480,321	\$ 2,082	\$ 10,637,885
Due to other funds	5,137,864	-	-
Deferred revenue	402,906	-	-
<b>Total Liabilities</b>	<b>8,021,091</b>	<b>2,082</b>	<b>10,637,885</b>
<b>Fund Balances:</b>			
Reserved for:			
Legally restricted balances	6,198,975	-	-
Other reservations	270,002	-	-
Unreserved:			
Designated	6,920,856	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	44,360,626	41,557,083
<b>Total Fund Balance</b>	<b>13,389,833</b>	<b>44,360,626</b>	<b>41,557,083</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,410,924</b>	<b>\$ 44,362,708</b>	<b>\$ 52,194,968</b>

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

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Non Major Governmental Funds	Total Governmental Funds
\$ 26,782,734	\$ 134,009,865
638,247	10,888,344
5,137,864	5,374,234
93,500	348,502
<u>32,652,345</u>	<u>\$ 150,620,945</u>

\$ 461,901	\$ 13,582,189
236,370	5,374,234
31,003	433,909
<u>729,274</u>	<u>19,390,332</u>

-	6,198,975
93,500	363,502
14,103,057	21,023,913
4,665,664	4,665,664
2,798,973	2,798,973
10,261,877	96,179,586
<u>31,923,071</u>	<u>131,230,613</u>
<u>\$ 32,652,345</u>	<u>\$ 150,620,945</u>

# TRACY UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 131,230,613</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
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	\$ 263,569,025	
Accumulated depreciation is	(64,029,638)	
Net Capital Assets		199,539,387
In the governmental funds, the receipt of special education mandated settlement and redevelopment funds are reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payments received in the current year reduce the receivable amount.		697,620
Interest on long-term obligations is only recognized at the time it is due, however, the unmatured interest is recorded as a liability on the statement of net assets.		(840,805)
In the governmental funds, the receipt of the redevelopment agency pass through allocation is reported as revenue in the year received. On the statement of net assets, the amount is recorded as a receivable when earned.		
Long-term liabilities at year end consist of:		
Bonds payable	33,020,000	
Capital leases payable	291,697	
Compensated absences (vacations)	145,493	
Net OPEB obligation	1,293,726	
Total Long-Term Liabilities		(34,750,916)
<b>Total Net Assets - Governmental Activities</b>		<b>\$ 295,875,899</b>

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

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# TRACY UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Facilities Fund	County School Facilities Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 96,761,130	\$ -	\$ -
Federal sources	4,198,234	-	-
Other state sources	19,264,062	-	48,153,414
Other local sources	9,299,113	4,527,750	1,440,642
<b>Total Revenues</b>	<b>129,522,539</b>	<b>4,527,750</b>	<b>49,594,056</b>
<b>EXPENDITURES</b>			
Current			
Instruction	82,973,433	-	-
Instruction-related activities:			
Supervision of instruction	3,740,342	-	-
Instructional library, media and technology	3,745,103	-	-
School site administration	8,774,530	-	-
Pupil services:			
Home-to-school transportation	2,447,803	-	-
Food services	-	-	-
All other pupil services	4,722,710	-	-
General administration:			
All other general administration	5,173,078	-	-
Plant services	11,840,000	88,110	338,247
Facility acquisition and construction	1,086,205	279,853	36,531,921
Ancillary services	899,885	-	-
Community services	300,183	-	-
Other outgo	673,220	-	-
Debt service			
Principal	135,802	-	-
Interest and other	9,561	-	-
<b>Total Expenditures</b>	<b>126,521,855</b>	<b>367,963</b>	<b>36,870,168</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,000,684</b>	<b>4,159,787</b>	<b>12,723,888</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	442,340	338,467	25,932,392
Other sources	962,442	-	-
Transfers out	(6,461,201)	(5,135,457)	(732,125)
<b>Net Financing Sources (Uses)</b>	<b>(5,056,419)</b>	<b>(4,796,990)</b>	<b>25,200,267</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,055,735)</b>	<b>(637,203)</b>	<b>37,924,155</b>
<b>Fund Balance - Beginning</b>	<b>15,445,568</b>	<b>44,997,829</b>	<b>3,632,928</b>
<b>Fund Balance - Ending</b>	<b>\$ 13,389,833</b>	<b>\$ 44,360,626</b>	<b>\$ 41,557,083</b>

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

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Nonmajor Governmental Funds		Total Governmental Funds	
\$	1,306,761	\$	98,067,891
	2,054,262		6,252,496
	944,450		68,361,926
	6,616,636		21,884,141
	<u>10,922,109</u>		<u>194,566,454</u>
	1,117,304		84,090,737
	44		3,740,386
	-		3,745,103
	665,829		9,440,359
	-		2,447,803
	3,529,102		3,529,102
	52,892		4,775,602
	191,420		5,364,498
	480,215		12,746,572
	666,745		38,564,724
	-		899,885
	-		300,183
	-		673,220
	980,000		1,115,802
	704,110		713,671
	<u>8,387,661</u>		<u>172,147,647</u>
	2,534,448		22,418,807
	6,153,527		32,866,726
	20,002,237		20,964,679
	<u>(20,537,943)</u>		<u>(32,866,726)</u>
	5,617,821		20,964,679
	8,152,269		43,383,486
	23,770,802		87,847,127
\$	<u>31,923,071</u>	\$	<u>131,230,613</u>

# TRACY UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	43,383,486
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 assets 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	\$	(4,810,614)
Capital outlays		<u>38,700,940</u>
Net Expense Adjustment		33,890,326
Revenue related to the Special Education settlement is reported in the governmental funds, but is a reduction in receivable on the statement of net assets.		(55,363)
Revenue received from the redevelopment agency is recorded in the year received in the governmental funds because it is not available in the year earned. However, this amount is recorded as revenue in the year earned in the statement of activities.		
On the other hand, prior year AR was a reduction in current year receivable on the statement of net assets.		57,590
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.		(4,380)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned.		(2,308)
Proceeds received from the sale of bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(20,000,000)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		1,115,802
In the statement of Activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.		(1,293,726)
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(531,238)
Change in Net Assets of Governmental Activities	\$	<u><u>56,560,189</u></u>

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



**TRACY UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUND**

**STATEMENT OF FIDUCIARY NET ASSETS**

**JUNE 30, 2008**

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	<b>Agency Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 924,227
<b>Total Assets</b>	<u><u>\$ 924,227</u></u>
<b>LIABILITIES</b>	
Due to student groups	\$ 924,227
<b>Total Liabilities</b>	<u><u>\$ 924,227</u></u>

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

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

**Component Units** Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

#### Other Related Entities

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

**Public Entity Risk Pools and Joint Powers Authorities** The District is associated with one joint powers agency and one public entity risk pool. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Joaquin County Schools Workers' Compensation Insurance Group  
San Joaquin County Schools Data Processing Center Joint Powers Authority (JPA)

#### 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 three broad fund categories: governmental, proprietary, and fiduciary.

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

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### 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 a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**County School Facilities Fund** The County Schools Facilities Fund is used primarily to account separately for State apportionments provided (Education Code Sections 17010.10-17076.10).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

**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).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (Education Code Section 42840).

**Capital Project Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (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.

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**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).

**Community Facilities District Fund (Building CFD)** The Community Facilities District Fund is used to account for the activity related to funds received from the Tracy Area Public Facilities Financing Agency.

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category includes agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

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

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

Net assets should be reported as restricted when constraints placed on net asset use 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 assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

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

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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

### **Investments**

Investments held at June 30, 2008, 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.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures over the benefiting period.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

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

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

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. 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.

### Accrued Liabilities and Long-Term Obligations

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

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

### Fund Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, unrealized gains of investments and cash in county treasury, and other purposes.

# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available.

### **Interfund Activity**

Transfers between governmental and business-type 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 and after non-operating revenues/expenses in proprietary 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 and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type 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.

### **Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1<sup>st</sup> of each year. The District governing board satisfied these requirements. 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. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.



# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Property Tax

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

### Changes in Accounting Principles

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008. The District had an annual required contribution of \$2,777,885 for the year ended June 30, 2008, and made a contribution of \$1,484,159 resulting in an OPEB obligation of \$1,293,726.

### New Accounting Pronouncements

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged. Adoption of this statement is not expected to materially impact the District's financial statements.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Adoption of this statement is not expected to materially impact the District's financial statements.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged. Adoption of this statement is not expected to materially impact the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. Adoption of this statement is not expected to materially impact the District's financial statements.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 134,009,865
Fiduciary funds	924,227
Total Deposits and Investments	<u>\$ 134,934,092</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 924,227
Cash in revolving	15,000
Investments	133,994,865
Total Deposits and Investments	<u>\$ 134,934,092</u>

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### 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

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### 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 depositing substantially all of its funds in the County Treasury pool. The fair value of the deposits with the County Treasurer at June 30, 2008, was \$133,525,883 and the weighted average maturity of the pool was less than one year.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, \$1,026,713 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institute'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 investment pool.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, 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	\$ 938,297	\$ -	\$ -	\$ 17,993	\$ 956,290
State Government					
Apportionment	4,670,865	-	-	84,670	4,755,535
Categorical aid	1,798,506	-	-	377,959	2,176,465
Local Government					
Interest	176,927	-	217,137	143,644	537,708
Other Local Sources	2,024,376	409,853	14,136	13,981	2,462,346
Total	<u>\$9,608,971</u>	<u>\$409,853</u>	<u>\$ 231,273</u>	<u>\$ 638,247</u>	<u>\$10,888,344</u>

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Long-term receivables consist of the Special Education mandated settlement, in the amount of \$142,770, which will be received at a rate of 55,362 (including the interest component) each year for the next four years. In addition, there is \$554,850 in redevelopment funds related to 2008-09.

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 20,946,617	\$ 6,435,022	\$ -	\$ 27,381,639
Construction in Progress	9,970,963	31,696,927	(3,335,111)	38,332,779
Total Capital Assets Not Being Depreciated	30,917,580	38,131,949	(3,335,111)	65,714,418
Capital Assets Being Depreciated:				
Land Improvements	15,242,927	29,270	-	15,272,197
Buildings and Improvements	172,447,481	3,305,841	-	175,753,322
Furniture and Equipment	1,737,509	226,125	-	1,963,634
Vehicles	4,522,587	342,866	-	4,865,453
Total Capital Assets Being Depreciated	193,950,504	3,904,102	-	197,854,606
Total Capital Assets	224,868,084	42,036,051	(3,335,111)	263,569,024
Less Accumulated Depreciation:				
Land Improvements	5,128,805	622,614	-	5,751,419
Buildings and Improvements	50,296,431	3,675,777	-	53,972,208
Furniture and Equipment	776,628	136,114	-	912,742
Vehicles	3,017,159	376,109	-	3,393,268
Total Accumulated Depreciation	59,219,023	4,810,614	-	64,029,637
Governmental Activities Capital Assets, Net	\$ 165,649,061	\$ 37,225,437	\$ (3,335,111)	\$ 199,539,387

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

### Governmental Activities

Instruction	\$ 3,960,298
Instructional library, media, and technology	63,776
School site administration	15,430
Home-to-school transportation	403,222
Food services	36,183
All other general administration	278,083
Plant services	53,622
Total Depreciation Expenses Governmental Activities	<u>\$ 4,810,614</u>

### NOTE 5 – INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts due to and due from other funds. Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds are as follows:

Due From	Due To		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 5,137,864	\$ 5,137,864
Non-Major Governmental funds	236,370	-	236,370
Total	<u>\$ 236,370</u>	<u>\$ 5,137,864</u>	<u>\$ 5,374,234</u>

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

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Capital Facilities	County Schools Facilities	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 389,229	\$ 53,111	\$ 442,340
Capital Facilities	-	-	338,467	-	338,467
County Schools Facilities	312,103	5,135,457	-	20,484,832	25,932,392
Non-Major Governmental funds	6,149,098	-	4,429	-	6,153,527
Total	<u>\$ 6,461,201</u>	<u>\$ 5,135,457</u>	<u>\$ 732,125</u>	<u>\$ 20,537,943</u>	<u>\$ 32,866,726</u>

The General Fund transferred to the Adult Education Fund for lottery and discretionary block grant.	\$ 64,526
The General Fund transferred to the Deferred Maintenance Fund for district match.	634,163
The General Fund transferred to the Deferred Maintenance Fund for construction expenditure reimbursement.	450,409
The General Fund transferred to the Special Reserve Other Fund for future designations.	5,000,000
The General Fund transferred to the County Schools Facility Fund for construction expenditures.	312,103
The Building Fund transferred to the County Schools Facility Fund for construction expenditures.	20,484,832
The Building Fund transferred to the General Fund for administrative reimbursement.	28,301
The Capital Facilities Fund transferred to the County School Facilities Fund for construction expenditures.	5,135,457
The County School Facilities Fund transferred to the General Fund for reimbursing prior transfer.	389,229
The County School Facilities Fund transferred to the Building Fund for reimbursing prior transfer.	4,429
The County School Facilities Fund transferred to the Capital Facilities Fund for reimbursing prior transfer.	338,467
The Building CFD Fund transferred to the General Fund for salary and miscellaneous administrative reimbursement.	24,810
	<u>\$ 32,866,726</u>

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,995,268	\$ 2,082	\$ 10,636,495	\$ 353,229	\$12,987,074
Salaries and benefits	485,053	-	1,390	108,672	595,115
Total	<u>\$ 2,480,321</u>	<u>\$ 2,082</u>	<u>\$ 10,637,885</u>	<u>\$ 461,901</u>	<u>\$13,582,189</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 297,068	\$ -	\$ 297,068
State categorical aid	105,838	31,003	136,841
Total	<u>\$ 402,906</u>	<u>\$ 31,003</u>	<u>\$ 433,909</u>

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$14,000,000	\$20,000,000	\$ 980,000	\$ 33,020,000	\$1,230,000
Compensated absences	143,185	2,308	-	145,493	-
Capital leases	423,119	4,380	135,802	291,697	128,000
Other Postemployment Benefits	-	1,293,726	-	1,293,726	-
	<u>\$14,566,304</u>	<u>\$21,300,414</u>	<u>\$ 1,115,802</u>	<u>\$ 34,750,916</u>	<u>\$1,358,000</u>

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



# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### General Obligation Bonds

The District has issued the following general obligation bonds:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding	Issued	Redeemed	Bonds Outstanding
				July 1, 2007			June 30, 2008
July 2006	8/1/2031	4% - 8%	\$ 14,000,000	\$ 14,000,000	\$ -	\$ 980,000	\$ 13,020,000
July 2007	8/1/2032	4% - 8%	20,000,000	-	20,000,000	-	20,000,000
				<u>\$ 14,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 980,000</u>	<u>\$ 33,020,000</u>

### Debt Service Requirements to Maturity

The general obligation bonds have debt service requirements as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 1,230,000	\$ 1,755,515	\$ 2,985,515
2010	460,000	1,475,973	1,935,973
2011	515,000	1,439,823	1,954,823
2012	580,000	1,399,510	1,979,510
2013	650,000	1,355,272	2,005,272
2014-2018	4,335,000	6,152,803	10,487,803
2019-2023	6,075,000	5,026,725	11,101,725
2024-2028	8,305,000	3,435,525	11,740,525
2029-2033	10,870,000	1,254,005	12,124,005
Total	<u>\$ 33,020,000</u>	<u>\$ 23,295,151</u>	<u>\$ 56,315,151</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$145,943.

### Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets in the amount of \$561,185 with corresponding accumulated depreciation of \$96,814 at June 30, 2008. The District's liabilities on lease agreements with option to purchase are summarized below:

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 143,974
2010	132,385
2011	35,034
Total	311,393
Less: Amount Representing Interest	(19,696)
Present Value of Minimum Lease Payments	\$ 291,697

### Other Postemployment Benefit (OPEB) Obligation

The District implemented GASBS Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2008, was \$2,777,885 and District made contributions during the year was \$1,484,159, which resulted in an OPEB obligation of \$1,293,726. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 9 - FUND BALANCES

Fund balances with reservations and designations are composed of the following elements:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Stores inventory	255,002	-	-	93,500	348,502
Restricted programs	6,198,975	-	-	-	6,198,975
Total Reserved	6,468,977	-	-	93,500	6,562,477
<b>Unreserved</b>					
Designated					
Economic uncertainties	3,904,517	-	-	-	3,904,517
Other designation	3,016,339	-	-	14,103,057	17,119,396
Total Designated	6,920,856	-	-	14,103,057	21,023,913
Undesignated	-	44,360,626	41,557,083	17,726,514	103,644,223
Total Unreserved	6,920,856	44,360,626	41,557,083	31,829,571	124,668,136
Total	\$13,389,833	\$ 44,360,626	\$ 41,557,083	\$ 31,923,071	\$ 131,230,613

### NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Tracy Unified School District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 71 retirees and beneficiaries currently receiving benefits and 1,227 active plan members. Unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

	<u>Certified</u>	<u>Classified</u>	<u>Management</u>
	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Benefit types provided			
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years*	10 years	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	\$8,482 per year**	\$8,482 per year**	\$8,162 per year**

\* Equivalent full-time service.

\*\*For those retiring prior to July 1, 2008, District pays full cost.

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2007-08, the District contributed \$1,484,159 to the plan, all of which was used for current premiums (approximately 53 percent of current year's annual required contributions). The required contribution is based on projected pay-as-you-go financing requirements. "Pay-as-you-go" cost of providing retiree health benefits for current retirees. However, this cost would increase over the next ten years at an annual rate of 7.3%.

### Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 2,777,885
Contributions made	<u>(1,484,159)</u>
Increase in net OPEB obligation	1,293,726
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 1,293,726</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 2,777,885	53%	\$ 1,293,726

### Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 12, 2007, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses). The healthcare cost trend rate was 4% percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 3% annual increase in payroll. The remaining amortization period at July 12, 2007, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets and retiree benefits are paid annually on a cash basis.

### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with Northern California Regional Liability Excess Fund (NorCal ReLiEF) for building and personal property and SAFER for excess property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

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

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Coverage provided by SJCSWC, SAFER, and NorCal Relief for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
San Joaquin County Schools Workers' Compensation	Workers' Compensation	State Statutory Limit
NorCal ReLiEF	Liability	\$ 1,000,000
	Property	250,000,000
	Crime	3,000,000
SAFER	Excess Liability	4,000,000

### Employee Medical Benefits

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

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

#### CalSTRS

##### Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$5,193,213, \$4,822,757, and \$4,577,588, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,650,071, \$1,453,173, and \$1,294,306, respectively, and equal 100 percent of the required contributions for each year.

#### **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. There are no employee required contributions.

#### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,832,517 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. 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 excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 13 - 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, 2008.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

#### Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Hirsch Playground Equipment	\$ 14,853	08/31/08
Clover Site (TLC) Leased Relocatables	108,978	07/25/08
Clover Site (TLC) New Sewer Line	82,266	08/04/08
Hirsch Paving	8,280	08/28/08
Bohn Carpeting	26,720	07/18/08
Various Sites Energy Management System	197,012	11/30/08
Kimball High School	59,469,104	12/15/09
Tracy High School New Classroom Building	4,219,675	03/15/09
Tracy High School Science Building Modernization	2,496,466	01/31/09
Tracy High School Gymnasium HVAC	1,099,000	12/31/08
West High School Stadium & Pool Complex	191,115	12/31/08
	<u>\$ 67,913,469</u>	

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

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



# TRACY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008, the District made payment of \$1,663,534 to San Joaquin County Schools Workers' Compensation and \$529,327 to San Joaquin County Schools Data Processing joint powers authority.

### NOTE 15 – COMMUNITY FACILITIES DISTRICT (JPA)

The Tracy Area Public Facilities Financing Agency (Agency) was created pursuant to a Joint Powers Agreement between the City of Tracy, Tracy School District, Tracy Joint Union High School District, (Tracy School District and Tracy Joint Union High School District became the Tracy Unified School District effective July 1, 1997) and Jefferson School District for the purpose of forming a community facilities district under the provisions of the Mello-Roos Community Facility Act of 1982. The Agency has established Community Facilities District Number 1987-1 for the purpose of financing, constructing, and acquiring school facilities for each of the school districts and public facilities for the City. The Agency currently has no employees or property and equipment, and its powers are limited to implementation of the Mello-Roos financing plans contemplated in the Joint Powers Agreement. The Agency and its Community Facilities District are controlled by a governing board consisting of seven members; two members of the Tracy City Council, three members of the School Board of the Tracy Unified School District, and two members of the School Board of the Jefferson School District. All such members of the Agency's governing board are independently elected to their respective member entities. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budget, sign contracts, levy taxes, and otherwise influence operations and account for fiscal matters, is exercised by the Agency's governing Board. Accordingly, the Agency is considered to be a separate reporting entity for financial reporting purposes and the June 30, 2007, audited accompanying financial information reflects only the assets, liabilities, fund balances, revenues and expenditures of the Agency.

Audited financial information for the Agency is summarized below:

	June 30, 2007* (Audited)
Total Assets	\$ 32,627,510
Total Liabilities	45,310,486
Net Assets	<u>\$ (12,682,976)</u>
 Total Revenues and Other Sources	 \$ 2,700,542
Total Expenditures	3,378,057
Net Increase in Net Assets	<u>\$ (677,515)</u>

\* Most recent information available.

At June 30, 2007, the Agency had outstanding special tax bonds payable of \$44,670,000 with maturities through 2021.

# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **NOTE 17 - SUBSEQUENT EVENTS**

In July 2008, the District issued \$17 million in general obligation bonds as authorized under the 2006 election. The bonds have maturity dates beginning August 2011 through August 2032 and are at interest rates of 2.7 – 10 percent. The bonds will be used to renovate and modernize Tracy High School and complete Merrill West High School.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# TRACY UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 96,577,532	\$ 96,572,284	\$ 96,761,130	\$ 188,846
Federal sources	3,894,325	4,765,149	4,198,234	(566,915)
Other state sources	15,246,364	15,649,974	19,264,062	3,614,088
Other local sources	9,153,986	10,701,834	9,299,113	(1,402,721)
<b>Total Revenues<sup>1</sup></b>	<b>124,872,207</b>	<b>127,689,241</b>	<b>129,522,539</b>	<b>1,833,298</b>
<b>EXPENDITURES</b>				
Current				
Instruction	84,002,193	89,194,380	82,973,433	6,220,947
Instruction-related activities:				
Supervision of instruction	3,548,197	3,584,211	3,740,342	(156,131)
Instructional library, media, and technology	3,278,169	5,100,005	3,745,103	1,354,902
School site administration	8,761,576	8,786,090	8,774,530	11,560
Pupil services:				
Home-to-school transportation	2,308,972	2,586,262	2,447,803	138,459
All other pupil services	4,728,672	5,370,544	4,722,710	647,834
General administration:				
All other general administration	5,310,732	5,378,428	5,173,078	205,350
Plant services	11,322,505	11,727,724	11,840,000	(112,276)
Facility acquisition and construction	1,441,434	1,622,740	1,086,205	536,535
Ancillary services	832,004	877,293	899,885	(22,592)
Community services	176,307	475,180	300,183	174,997
Other outgo	590,726	673,248	673,220	28
Debt service				
Principal	131,304	140,911	135,802	5,109
Interest	13,267	13,337	9,561	3,776
<b>Total Expenditures<sup>1</sup></b>	<b>126,446,058</b>	<b>135,530,352</b>	<b>126,521,855</b>	<b>9,008,497</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,573,851)</b>	<b>(7,841,111)</b>	<b>3,000,684</b>	<b>10,841,795</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	45,500	445,407	442,340	(3,067)
Other sources	-	-	962,442	962,442
Transfers out	(776,330)	(1,489,343)	(6,461,201)	(4,971,858)
<b>Net Financing Sources (Uses)</b>	<b>(730,830)</b>	<b>(1,043,936)</b>	<b>(5,056,419)</b>	<b>(4,012,483)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,304,681)</b>	<b>(8,885,047)</b>	<b>(2,055,735)</b>	<b>6,829,312</b>
<b>Fund Balance - Beginning</b>	<b>15,445,568</b>	<b>15,445,568</b>	<b>15,445,568</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 13,140,887</b>	<b>\$ 6,560,521</b>	<b>\$ 13,389,833</b>	<b>\$ 6,829,312</b>

<sup>1</sup> On behalf payments of \$2,832,517 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

# TRACY UNIFIED SCHOOL DISTRICT

## SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2008

### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
July 12, 2007	\$ -	\$ 25,140,909	\$ 25,140,909	\$ -	\$ 83,870,180	30%

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***SUPPLEMENTARY INFORMATION***

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# TRACY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through the California Department of Education:			
Adult Education: Adult Basic Ed & ESL	84.002A	14508	\$ 7,037
Adult Education: Family Literacy	84.002	13977	45,225
Adult Education: Adult Secondary Education	84.002	13978	18,278
Title I - Part A, Basic Grants Low-Income and Neglected	84.010	14329	741,057
Indian Education	84.060	10011	26,909
Special Education			
Local Assistance	84.027	13379	2,088,164
IDEA Preschool Grants	84.173	13430	68,307
IDEA Preschool Local Entitlement	84.027A	13682	171,537
Vocational Educational Grants			
Vocational Programs, Secondary LC	84.048	13924	66,561
Title II - Teacher Quality	84.367	14341	322,132
Title II - Enhancing Education Through Technology	84.318	14334	12,067
Title III - Limited English Proficiency	84.365	10084	187,500
Title III - Bilingual Education Discretionary	84.000	10008	219
Title IV - Drug Free Schools	84.186	14347	42,424
School-to-Work (School-to-Career)	84.278	10009	117
Subtotal			<u>3,797,534</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through the California Department of Education:			
National School Lunch Program	10.553	13390	1,980,730
Commodities <sup>1</sup>	10.550	13755	124,413
Subtotal			<u>2,105,143</u>

See accompanying note to supplementary information.



# TRACY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Child Development: Quality Improvement Activities	93.575	13979	359
Child Development, Infant/toddler Child Care Resource	92.575	13942	2,633
Medi-Cal Administrative Activities (MAA)	93.778	10060	377,916
Medi-Cal Billing Option	93.778	10013	32,187
Subtotal			413,095
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
Calserve: Learn & Serve America	94.004	13161	61,137
Total expenditures of federal awards			\$ 6,376,909

<sup>1</sup> Not included in the financial statements

See accompanying note to supplementary information.

# TRACY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2008

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### ORGANIZATION

The Tracy Unified School District was established July 1, 1997 and consists of an area comprising approximately 425 square miles. The District operates eight K-5 schools, four K-8 schools, two middle, two high schools, two continuation high schools, a community day school, and adult educational classes. There was a boundary change during the year related to the incorporation of Holts Elementary.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
James Vaughn	President	2008
Ted Guzman	Vice President	2010
Bill Swenson	Clerk	2010
Tom Hawkins	Member	2008
Gregg Crandall	Member	2010
Kelly Lewis	Member	2008
Vacant	Member	2010

### ADMINISTRATION

Dr. James C. Franco	Superintendent
James Mousalimas	Assistant Superintendent, Human Resources
Dr. Sheila Harrison	Assistant Superintendent of Educational Services
Dr. Casey Goodall	Associate Superintendent of Business Services
Reed Call	Director of Financial Services

See accompanying note to supplementary information.

# TRACY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	1,021	1,024
First through third	3,216	3,208
Fourth through sixth	3,224	3,220
Seventh and eighth	2,155	2,147
Home and hospital	4	4
Special education	278	281
Community Day School	6	6
Total Elementary	9,904	9,890
<b>SECONDARY</b>		
Regular classes	5,339	5,270
Continuation education	203	207
Home and hospital	9	11
Special education	145	143
Community Day School	25	26
Total Secondary	5,721	5,657
Total K-12	15,625	15,547
<b>REGIONAL OCCUPATIONAL PROGRAM</b>		
<b>CLASSES FOR ADULTS</b>	75	94
Not concurrently enrolled	361	383
Students 21 and over and 19 or older	16	17
Total Classes for Adults	452	494
Grand Total	16,077	16,041
		Hours of Attendance
<b>SUMMER SCHOOL</b>		
Elementary		99,561
High school		121,987
Total Hours		221,548

See accompanying note to supplementary information.

# TRACY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83	1986-87	2007-2008	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	32,208	36,000	36,444	180	174	In compliance
Grade 1	44,528	50,400	52,312	180	174	In compliance
Grade 2	44,528	50,400	52,312	180	174	In compliance
Grade 3	44,528	50,400	52,312	180	174	In compliance
Grade 4	54,560	54,000	56,235	180	174	In compliance
Grade 5	54,560	54,000	56,235	180	174	In compliance
Grade 6	54,560	54,000	56,853	180	174	In compliance
Grade 7	54,560	54,000	56,853	180	174	In compliance
Grade 8	54,560	54,000	56,853	180	174	In compliance
Grade 9	58,000	64,800	64,829	180	NA	In compliance
Grade 10	58,000	64,800	64,829	180	NA	In compliance
Grade 11	58,000	64,800	64,829	180	NA	In compliance
Grade 12	58,000	64,800	64,829	180	NA	In compliance

<sup>1</sup>In 2006-07, Art Freiler School in grades 4-5 was short 76 minutes from the minutes offered in 1982-83. As per the waiver issued by the California Department of Education, the school is required to increase instructional time to a minimum of 54,636 minutes in these grades for 2007-08 and 2008-09. The School has 56,936 minutes during the year in grades 4-5.

See accompanying note to supplementary information.

## TRACY UNIFIED SCHOOL DISTRICT

### RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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Summarized below are the Form Debt reconciliations between the Unaudited Actual Financial Report, and the audited financial statements.

#### LONG TERM OBLIGATIONS

	Form Debt
Total Liabilities, June 30, 2008, Unaudited Actuals	\$ 33,376,155
Increase in:	
OPEB obligations	1,293,726
Compensated Absences	75,924
Capital leases	5,111
Total Liabilities, June 30, 2008, Audited Financial Statement	\$ 34,750,916

See accompanying note to supplementary information.

# TRACY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 <sup>1</sup>	2008	2007	2006
GENERAL FUND				
Revenues	\$ 123,815,311	\$ 129,522,539	\$ 129,081,107	\$ 112,995,517
Other sources and transfers in	3,118,868	1,404,782	290,526	713,531
Total Revenues and Other Sources	126,934,179	130,927,321	129,371,633	113,709,048
Expenditures	128,922,095	126,521,853	120,248,171	110,520,122
Other uses and transfers out	1,606,861	6,461,201	3,053,322	7,289,228
Total Expenditures and Other Uses	130,528,956	132,983,054	123,301,493	117,809,350
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,594,777)	\$ (2,055,733)	\$ 6,070,140	\$ (4,100,302)
ENDING FUND BALANCE	\$ 9,795,058	\$ 13,389,835	\$ 15,445,568	\$ 9,375,428
AVAILABLE RESERVES <sup>2</sup>	\$ 3,919,298	\$ 6,920,856	\$ 6,437,792	\$ 4,903,207
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	3.00%	5.20%	5.22%	4.25%
LONG-TERM DEBT	\$ 33,872,916	\$ 34,750,916	\$ 14,566,304	\$ 437,255
K-12 AVERAGE DAILY ATTENDANCE AT P-2	15,611	15,625	15,641	15,532

The General Fund balance has increased by \$4,014,405 over the past two years. The fiscal year 2008-09 budget projects a decrease of \$3,594,777 (27 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2008-09 fiscal year. Total long-term obligations have increased by \$34,313,661 over the past two years, primarily due to the issuances of \$14 million in general obligation bonds in 2006-07 and \$20 million in current year.

Average daily attendance has increased by 93 over the past two years. A decrease of 14 ADA is anticipated during fiscal year 2008-09.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> On-behalf payments of \$2,832,517, \$2,612,250, and \$2,506,299, respectively, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, 2007, and 2006, respectively.

# **TRACY UNIFIED SCHOOL DISTRICT**

## **EXCESS SICK LEAVE**

**JUNE 30, 2008**

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### **Section 19833.5 (a) (3) Disclosure**

Tracy Unified School District does not provide more than 12 sick leave days in a school year to high level administrators or teachers who are CalSTRS members:

### **Section 19833.5 (a)(3)(c) Disclosure**

Tracy Unified School District provides more than 12 sick leave days in a school year to the Superintendent who is a CalSTRS member.

**TRACY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2008**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Discovery Charter	No
Primary Charter	No
Millennium Charter	No

See accompanying note to supplementary information.



# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **Local Education Agency Organization Structure**

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

#### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

#### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION (Continued)**

**JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Charter Schools**

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

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# TRACY UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>ASSETS</b>				
Deposits and investments	\$ 155,400	\$ 36,307	\$ 1,843,168	\$ 2,709,287
Receivables	106,139	4,892	383,937	17,054
Due from other funds	137,864	-	-	-
Stores inventories	-	-	93,500	-
<b>Total Assets</b>	<b>\$ 399,403</b>	<b>\$ 41,199</b>	<b>\$ 2,320,605</b>	<b>\$ 2,726,341</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 95,803	\$ 3,247	\$ 88,743	\$ 274,108
Due to other funds	70,963	6,549	157,968	-
Deferred revenue	-	31,003	-	-
<b>Total Liabilities</b>	<b>166,766</b>	<b>40,799</b>	<b>246,711</b>	<b>274,108</b>
<b>Fund Balances:</b>				
Reserved for:				
Other reservations	-	-	93,500	-
Unreserved:				
Designated	-	-	-	-
Undesignated, reported in:				
Special revenue funds	232,637	400	1,980,394	2,452,233
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
<b>Total Fund Balance</b>	<b>232,637</b>	<b>400</b>	<b>2,073,894</b>	<b>2,452,233</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 399,403</b>	<b>\$ 41,199</b>	<b>\$ 2,320,605</b>	<b>\$ 2,726,341</b>

See accompanying note to supplementary information - unaudited.

Special Reserve Non-Capital Fund	Building Funds	Special Reserve Capital Outlay Fund	Building CFD Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 9,103,057	\$ 10,131,366	\$ 53	\$ 5,123	\$ 2,798,973	\$ 26,782,734
-	126,172	-	53	-	638,247
5,000,000	-	-	-	-	5,137,864
-	-	-	-	-	93,500
<u>\$ 14,103,057</u>	<u>\$ 10,257,538</u>	<u>\$ 53</u>	<u>\$ 5,176</u>	<u>\$ 2,798,973</u>	<u>\$ 32,652,345</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 461,901
-	890	-	-	-	236,370
-	-	-	-	-	31,003
<u>-</u>	<u>890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>729,274</u>
-	-	-	-	-	93,500
14,103,057	-	-	-	-	14,103,057
-	-	-	-	-	4,665,664
-	-	-	-	2,798,973	2,798,973
-	10,256,648	53	5,176	-	10,261,877
<u>14,103,057</u>	<u>10,256,648</u>	<u>53</u>	<u>5,176</u>	<u>2,798,973</u>	<u>31,923,071</u>
<u>\$ 14,103,057</u>	<u>\$ 10,257,538</u>	<u>\$ 53</u>	<u>\$ 5,176</u>	<u>\$ 2,798,973</u>	<u>\$ 32,652,345</u>

# TRACY UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>				
Revenue limit sources	\$ 1,306,761	\$ -	\$ -	\$ -
Federal sources	70,540	2,992	1,980,730	-
Other state sources	-	121,534	170,750	629,781
Other local sources	67,024	1,249	1,955,700	87,932
<b>Total Revenues</b>	<b>1,444,325</b>	<b>125,775</b>	<b>4,107,180</b>	<b>717,713</b>
<b>EXPENDITURES</b>				
Current				
Instruction	1,005,018	112,286	-	-
Instruction-related activities:				
Supervision of instruction	-	44	-	-
School site administration	611,222	54,607	-	-
Pupil services:				
Food services	-	-	3,529,102	-
All other pupil services	52,892	-	-	-
General administration:				
All other general administration	56,672	4,610	130,138	-
Plant services	73,212	-	36,311	370,692
Facility acquisition and construction	-	-	-	656,393
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>1,799,016</b>	<b>171,547</b>	<b>3,695,551</b>	<b>1,027,085</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(354,691)</b>	<b>(45,772)</b>	<b>411,629</b>	<b>(309,372)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	64,526	-	-	1,084,572
Other sources	-	-	2,237	-
Transfers out	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>64,526</b>	<b>-</b>	<b>2,237</b>	<b>1,084,572</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(290,165)</b>	<b>(45,772)</b>	<b>413,866</b>	<b>775,200</b>
<b>Fund Balance - Beginning</b>	<b>522,802</b>	<b>46,172</b>	<b>1,660,028</b>	<b>1,677,033</b>
<b>Fund Balance - Ending</b>	<b>\$ 232,637</b>	<b>\$ 400</b>	<b>\$ 2,073,894</b>	<b>\$ 2,452,233</b>

Special Reserve Non-Capital Fund	Building Fund	Special Reserve Capital Fund	Building CFD Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,306,761
-	-	-	-	-	2,054,262
-	-	-	-	22,385	944,450
388,507	1,093,071	53	25,710	2,997,390	6,616,636
388,507	1,093,071	53	25,710	3,019,775	10,922,109
-	-	-	-	-	1,117,304
-	-	-	-	-	44
-	-	-	-	-	665,829
-	-	-	-	-	3,529,102
-	-	-	-	-	52,892
-	-	-	-	-	191,420
-	-	-	-	-	480,215
-	10,352	-	-	-	666,745
-	-	-	-	980,000	980,000
-	-	-	-	704,110	704,110
-	10,352	-	-	1,684,110	8,387,661
388,507	1,082,719	53	25,710	1,335,665	2,534,448
5,000,000	4,429	-	-	-	6,153,527
-	20,000,000	-	-	-	20,002,237
-	(20,513,134)	-	(24,809)	-	(20,537,943)
5,000,000	(508,705)	-	(24,809)	-	5,617,821
5,388,507	574,014	53	901	1,335,665	8,152,269
8,714,550	9,682,634	-	4,275	1,463,308	23,770,802
\$ 14,103,057	\$ 10,256,648	\$ 53	\$ 5,176	\$ 2,798,973	\$ 31,923,071

# **TRACY UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

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

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



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***INDEPENDENT AUDITORS' REPORTS***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Tracy Unified School District  
Tracy, California

We have audited 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, 2008, which collectively comprise Tracy Unified School District's basic financial statements and have issued our report thereon dated December 15, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Tracy Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tracy Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tracy Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs identified as 2008-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tracy Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tracy Unified School District's response to the finding identified in our audit is described in the accompanying schedule of finding and questioned costs. We did not audit Tracy Unified School District's response and, accordingly, express no opinion on it.

We noted certain matters that we reported to management of Tracy Unified School District in a separate letter dated December 15, 2008.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
December 15, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Tracy Unified School District  
Tracy, California

**Compliance**

We have audited the compliance of Tracy Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Tracy Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Tracy Unified School District's management. Our responsibility is to express an opinion on Tracy Unified School District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of Tracy Unified School District's compliance with those requirements.

In our opinion, Tracy Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of Tracy Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Tracy Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurine K, Trine, Day & Co LLP

Pleasanton, California  
December 15, 2008



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Tracy Unified School District  
Tracy, California

We have audited 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, 2008, and have issued our report thereon dated December 15, 2008. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Tracy Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Tracy Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable
Community day schools	9	No, see below
Morgan-Hart Class Size Reduction	7	Not applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes

	Procedures in Audit Guide	Procedures Performed
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	3	Not applicable

We did not perform testing for the Community Day School program because the reported attendance did not meet the threshold for testing.

Based on our audit, we found that for the items tested, the Tracy Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Tracy Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Tracy Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
December 15, 2008



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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# TRACY UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I</u>
<u>84.027/84.173</u>	<u>Special Education</u>
<u>93.778</u>	<u>Medi-Cal Administrative Activities (MAA)</u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

# TRACY UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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The following finding represents significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

### 2008-1 Student Body Accounting (30000)

#### Criteria or Specific Requirements

Management is responsible for establishing and maintaining effective internal control a system of internal control to provide it with a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly.

#### Condition

The following were noted in prior year site visits:

Monte Vista and Tracy High School - We noted that daily sales reports, tally sheets or other record of items sold, including the amount at which the items were sold, and the amount collected were not available to support the deposits made for the student store activity.

Monte Vista - The collections submitted to the bookkeeper by the club advisors were not always supported by invoices, tally sheets or other documentation. The deposits made in January lacked appropriate deposit documentation from club advisors.

Tracy High School – Although a physical count of inventory was taken quarterly, a perpetual inventory was not maintained and no comparison was made of the actual inventory counts to what was expected to be on hand. As a result, student store records did not have sufficient documentation to support the deposits made.

Duncan Russell – Bank deposits were not supported with documentation to identify the source of collections.

During current year site visits, we noted that some of the sites had outstanding checks more than one year old. Reconciled balances did not agree the book balances and/or done incorrectly.

#### Questioned costs

There are no questioned costs associated with this condition.

#### Context

During our visits to the sites to observe the controls over the associated student body accounts we noted the above areas which provide opportunities for the strengthening of internal controls over the funds managed at decentralized locations. Some of the matters described above were also identified in the prior year audit.

#### Effect

The District could be held responsible for theft or misstatement of the ASB funds.

# **TRACY UNIFIED SCHOOL DISTRICT**

## **FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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### **Cause**

Lack of adequate internal controls in place/insufficient training and control activities.

### **Recommendation**

Some of the matters described above were also identified in the prior year audit. The district should continue its efforts to work with site personnel and take actions to correct the above-mentioned issues. The District should consider providing in-house training to site personnel, and periodically review the site progress of improvement regarding these issues.

### **District Response**

The District has scheduled multiple training dates during the fiscal year 2008-09 to address all aspects of student body accounting. Additional, the District will monitor site activity for compliance with established District and State guidelines.

**TRACY UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported

**TRACY UNIFIED SCHOOL DISTRICT**

**STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported.

# TRACY UNIFIED SCHOOL DISTRICT

## PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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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 financial statement findings.

### *Financial Statement Findings*

#### **2007-1 Student Body Accounting (30000)**

##### **Criteria or Specific Requirements**

Management is responsible for establishing and maintaining effective internal control a system of internal control to provide it with a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly.

##### **Condition**

Monte Vista and Tracy High School - We noted that daily sales reports, tally sheets or other record of items sold, including the amount at which the items were sold, and the amount collected are not available to support the deposits made for the student store activity.

Monte Vista - The collections submitted to the bookkeeper by the club advisors are not always supported by invoices, tally sheets or other documentation.

Tracy High School - Although a physical count of inventory is taken quarterly, a perpetual inventory is not maintained and no comparison is made of the actual inventory counts to what is expected to be on hand.

Duncan Russell - Bank deposits are not supported with documentation to identify the source of collections.

##### **Questioned costs**

None

##### **Context**

Monte Vista and Tracy High - The student store records do not include daily sales reports or other documentation to support the deposits made.

Monte Vista - Deposits made in January lacked appropriate deposit documentation from club advisors.

Tracy High - The items included in inventory include sweatshirts with a price of \$45.

Duncan Russell - Collections are not supported by appropriate documentation.

##### **Effect**

Monte Vista and Tracy High - Deposits are not supported by appropriate documentation to ensure that all collections have been deposited.

Duncan Russell - Without appropriate documentation to support the collections made, there is no way of knowing whether or not all collections have been deposited.

## TRACY UNIFIED SCHOOL DISTRICT

### PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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#### Cause

Monte Vista and Tracy High - Procedures are not in place to ensure that the student store activity is documented with daily sales reports, tally sheets, or other documentation.

Monte Vista - Documentation from club advisors is not always required for deposits made.

Tracy High - Procedures are not in place to account for the inventory on a perpetual basis and compare to the actual inventory counts.

Duncan Russell - Procedures are not in place to ensure that collections are supported by appropriate documentation.

#### Recommendation

Monte Vista and Tracy High - Procedures should be implemented to ensure that daily sales reports, tally sheets or other documentation is provided for all student store activity.

Monte Vista - Club advisors should be informed to provide appropriate documentation to support the collections made by them and given to the bookkeeper.

Tracy High - Procedures should be implemented to provide for inventory accounting on a perpetual basis with comparison to actual inventory counts to provide for better control over the inventory.

Duncan Russell - Procedures should be implemented to ensure that all collections and deposits are supported with appropriate documentation.

#### Current Status

Not implemented. See current year financial statement finding.

#### 2007-2 Instructional Minutes (40000)

##### Criteria or Specific Requirements

California Education Code section 46201 requires that Districts maintain instructional minutes at either the level that was offered during 1982-83 or as required under this section as of the 1986-87 fiscal year, whichever is higher.

##### Condition

We noted at Freiler that grades 4 and 5 were not in compliance with the requirement. These grades offered minutes of 54,484, which is 76 minutes less than that offered in 1982-83 of 54,560.

##### Questioned Costs

Financial penalties could be assessed that equal the amount of apportionment for the average daily attendance of each affected grade level multiplied by the percentage of instructional minutes fixed in the 1982-83 school year as per Education Code section 46202.

##### Context

This school site offers classes from Kindergarten to grade 8. Only grades 4 and 5 at Freiler were out of compliance.



## **TRACY UNIFIED SCHOOL DISTRICT**

### **PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **Effect**

The District did not meet the required number of minutes for grades 4 and 5 at Freiler Elementary

#### **Cause**

The District compared the actual minutes offered to the required minutes as of 1986-87 rather than the minutes offered as of 1982-83, which was higher.

#### **Recommendation**

We recommend the District enhance its procedures for verification of instructional minutes to include a comparison of the offered minutes each year to that offered in 1982-83 or that required as of 1986-87, whichever is applicable in order to verify that the instructional minutes offered is in compliance with requirement. In addition, the District should investigate remedies available to it for the make up of the minutes and seek a waiver from the State Board of Education.

#### **Current Status**

Implemented.

#### **2007-3 Independent Study Attendance (10000)**

##### **Criteria or Specific Requirements**

California Education Code (EC) 51747 requires that an independent study agreement containing required elements be signed prior to the commencement of independent study by the pupil, parent or legal guardian, and appropriate District personnel and that sample work products be maintained. In addition, independent study contracts are not allowed for less than five days.

##### **Condition**

We noted at Monte Vista that the independent study plan forms are not always complete. Some agreements were missing the teacher's signature or did not include all of the elements required under EC 51747. On one agreement, it was indicated that the student had not completed the work and was not eligible for attendance but was actually credited with attendance for the duration of the agreement.

##### **Questioned Costs**

The total amount of days reported for these agreements were 24 or .18 average daily attendance (ADA) at the second period attendance reporting, which would not likely change the reported ADA for apportionment purposes.

##### **Context**

Full time independent study ADA reported at the second period was 13.70.

##### **Effect**

The average daily attendance reported for non-compliant independent study agreements was overstated by .18 ADA.

##### **Cause**

The policies and procedures over the independent study program at Monte Vista were not completely followed.

## TRACY UNIFIED SCHOOL DISTRICT

### PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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#### **Recommendation**

We recommend that the District provide training to those individuals responsible for overseeing independent study at the school sites to ensure they are aware of the requirements and the need to follow the policies and procedures that have been established.

#### **Current Status**

Implemented.

#### **2007-4 Teacher Credentials (10000)**

##### **Criteria or Specific Requirements**

Per California Education Code Section 44258.9 (c) (4) (A) Information on certificated employee assignment practices in schools ranked in deciles 1 to 3, inclusive, of the 2003 base Academic Performance Index, as defined in subdivision (b) of Section 17592.70, to ensure that, at a minimum, in any class in these schools in which 20 percent or more pupils are English learners the assigned teacher possesses a certificate issued pursuant to Section 44253.3 or 44253.4 or has completed training pursuant to Section 44253.10 or is otherwise authorized by statute.

##### **Condition**

One teacher at Jacobson Elementary School and two at Tracy High School were identified as not maintaining the appropriate credential for teaching classes with more than 20% pupils that are English learners (EL).

##### **Questioned Costs**

None

##### **Context**

We tested four school sites with a total of six teachers requiring the EL credential. Three of the six teachers tested did not have the appropriate credential.

##### **Effect**

Having teachers who teach classes with more than 20% EL students with no English Learners Credentials causes the District to be out of compliance with California Education Code.

##### **Cause**

The District did not monitor the teachers that were assigned to classes with more than 20% EL students to ensure that those teachers had the appropriate credentials.

##### **Recommendation**

We recommend Tracy Unified School District to have appropriate procedures in place that will ensure that only teachers with EL credentials are teaching classes with more than 20% pupils that are English learners.

##### **Current Status**

Implemented.

## **TRACY UNIFIED SCHOOL DISTRICT**

### **PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **2007-5 School Accountability Report Card (72000)**

##### **Criteria or Specific Requirements**

The San Joaquin county office of education completes interim evaluation of school facilities due to the Williams act. Any major repairs or replacements identified during this interim evaluation are required to be addressed by the district in a timely manner. Any repair or maintenance not undertaken prior to the issuance of the SARC report should be included in the SARC report under 'Repairs needed'.

##### **Condition**

In the 2006-07 fiscal year the District did not address the repairs and maintenance issues of school facilities identified during the interim evaluation prior to the issuance of the SARC report, 'Williams act' inspection report for Sep 26, 2006 for Central Elementary School and Delta Island identified repairs and maintenance issues for which no work orders were generated. Discussions with District management revealed that there is an internal control deficiency in the process of documenting such repairs, management represented that these issues were addressed later in the year. However, the work order process and documentation is insufficient and we were unable to verify the completion of the items noted. Communication between the County Office of education and the facilities director often occurs verbally. In addition, a procedure to ensure that any identified items are disclosed in the SARC is lacking.

##### **Questioned Costs**

None

##### **Context**

The error was discovered during our testing of the school accountability report card compliance.

##### **Effect**

The District is not in compliance with the requirement to report pending repairs and maintenance issues identified during the annual evaluation of facilities.

##### **Cause**

A procedure to communicate the facilities conditions to the person responsible for preparation of the school accountability report card was not in place.

##### **Recommendation**

We recommend that Tracy Unified School District re-evaluate its internal control procedures relating to the reporting, documenting and implementing of repairs and maintenance identified during the interim evaluation.

##### **Current Status**

Implemented.

## **TRACY UNIFIED SCHOOL DISTRICT**

### **PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **2007-6 Kindergarten Continuance Code 10000**

##### **Criteria or Specific Requirements**

When a student is retained at the Kindergarten level for more than one year, the District is required to have a signed parental agreement to continue form, approved in form and content by the California Department of Education, for each such pupil. The agreement should be signed prior to the start of the school year.

##### **Condition**

At Central Elementary we identified two students for which the appropriate signed agreements were not on file and at Jacobsen Elementary schools we identified one student. Central Elementary claimed that the agreements were signed prior to the start of school, but they could not be located. They later provided us with agreements that were dated two days prior to our visit at the school site.

##### **Questioned Costs**

The ADA generated by these students was 2.85.

##### **Context**

Both students at Central did not have the agreement on file and at Jacobsen one of the two students did not have the agreement on file.

##### **Effect**

The second period and annual reports of attendance are overstated by the 2.85 ADA.

##### **Cause**

The procedure to obtain signed agreements and retain them on file was not followed.

##### **Recommendation**

The District will need to revise their second and annual reports of attendance to remove the disallowed attendance for these students. We recommend the District remind each of the school sites with Kindergarten students that if they are retained the agreements are required to be maintained on file. Consideration should be given to requiring that the agreements be centrally filed at the District office in order to ensure that all students retained have the appropriate agreement on file.

##### **Current Status**

Implemented.