



Financial Statements  
June 30, 2022

# Tracy Unified School District

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## Independent Auditor's Report

To the Governing Board  
Tracy Unified School District  
Tracy, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tracy Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tracy Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tracy Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tracy Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tracy Unified School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, schedule of trends and analysis, schedule of charter schools and combining non-major governmental fund financial statements, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, schedule of trends and analysis, schedule of charter schools and combining non-major governmental fund financial statements, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023 on our consideration of Tracy Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tracy Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tracy Unified School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

San Ramon, California  
March 6, 2023

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, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

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

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

The *Fund Financial Statements* include statements for governmental activities.

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

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

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

## **REPORTING THE DISTRICT AS A WHOLE**

### **The Statement of Net Position and the Statement of Activities**

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



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

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

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

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

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

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

## **FINANCIAL HIGHLIGHTS**

Total net position was \$232,333,159. As a result of increased funding for COVID-19 relief, the District's net position increased \$27.0 million or 13.2%.

- Total governmental fund revenues were \$228.2 million. General Fund revenue accounted for \$195.7 million or 85.7% of total revenues.
- The District had \$194 million in government-wide expenses; \$49.4 million of these expenses were offset by programs specific charges for services and grants and/or contributions.
- The LCFF consists of base, supplemental, and concentration funding. Base funding provides consistent per student funding rates for all students state-wide using grade level groupings. Additional funding is provided for students identified as higher need: low socio-economic, English learners, homeless, and foster youth. Supplemental funding provides an additional 20% of the base funds for the unduplicated pupil count of students who are identified in these higher need categories. Concentration funding is provided to districts exceeding 55% of their population identified in the unduplicated pupil count. Concentration grant funding provides an additional 65% of the base funds for the percentage of students that exceed 55%. For the 2021-22 school year, Tracy Unified School District's unduplicated pupil count of students was 58.1%.

## **THE DISTRICT AS A WHOLE**

### **Net Position**

The District's net position was \$232,333,159 for the fiscal year ended June 30, 2022. Of this amount, (\$98,426,827) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2022	2021
<b>Assets</b>		
Current and other assets	\$ 200,764,120	\$ 174,662,836
Capital assets	<u>369,032,047</u>	<u>375,781,922</u>
Total assets	<u>569,796,167</u>	<u>550,444,758</u>
Deferred outflows of resources	<u>38,216,051</u>	<u>40,702,006</u>
<b>Liabilities</b>		
Current liabilities	25,800,604	13,500,096
Long-term liabilities	<u>266,030,393</u>	<u>357,386,672</u>
Total liabilities	<u>291,830,997</u>	<u>370,886,768</u>
Deferred inflows of resources	<u>83,848,062</u>	<u>14,946,359</u>
<b>Net Position</b>		
Net investment in capital assets	235,588,368	234,332,533
Restricted	95,171,618	93,591,402
Unrestricted	<u>(98,426,827)</u>	<u>(122,610,298)</u>
Total net position	<u>\$ 232,333,159</u>	<u>\$ 205,313,637</u>

The (\$98,426,827) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 19.7% (\$98,426,827) compared to (\$122,610,298). The long-term liabilities that contribute to the negative net position include outstanding general obligation bonds, which will be repaid from on-going property tax collections, and the actuarially determined current value of future pension obligations, which will be paid overtime from employer, employee and state contributions in the pension funds.

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 16. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year. The negative change in net position reflects a draw-down of the fund balance accumulated from unspent revenues from prior years.

**Table 2**

	Governmental Activities	
	2022	2021
Revenues		
Program revenues		
Charges for services and sales	\$ 4,376,762	\$ 5,795,216
Operating grants and contributions	42,282,221	41,968,356
Capital grants and contributions	2,785,603	2,785,603
General revenues		
Federal and State aid not restricted	110,083,283	103,880,512
Property taxes	58,578,866	54,558,974
Other general revenues	3,067,704	8,119,859
Total revenues	221,174,439	217,108,520
Expenses		
Instruction-related	134,949,200	157,810,316
Pupil services	22,778,268	19,043,252
Administration	7,629,236	7,038,471
Plant services	18,456,751	16,805,375
All other services	10,341,462	10,819,826
Total expenses	194,154,917	211,517,240
Change in net position	\$ 27,019,522	\$ 5,591,280

**Governmental Activities**

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was \$194,154,917. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$58,578,866 because the cost was paid by those who benefited from the programs (\$4,376,762) or by other governments and organizations who subsidized certain programs with grants and contributions (\$42,282,221). We paid for the remaining "public benefit" portion of our governmental activities with \$110,083,283 in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Instruction-related cost decreased primarily because the decrease in proportionate share of net pension liability in current year. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Instruction-related	\$ 134,949,200	\$ 157,810,316	\$(104,919,850)	\$(123,198,129)
Pupil services	22,778,268	19,043,252	(12,121,635)	(11,608,944)
Administration	7,629,236	7,038,471	(6,581,667)	(6,398,426)
Plant services	18,456,751	16,805,375	(17,742,175)	(16,164,976)
All other services	10,341,462	10,819,826	(3,345,004)	(3,597,590)
<b>Total</b>	<b>\$ 194,154,917</b>	<b>\$ 211,517,240</b>	<b>\$(144,710,331)</b>	<b>\$(160,968,065)</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$177,478,162, which is an increase of \$13,702,959 from last year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			
	June 30, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	\$ 74,364,614	\$ 195,996,912	\$ 190,254,024	\$ 80,107,502
Student Activity Fund	1,134,239	1,263,290	988,706	1,408,823
Charter Schools	37,344	2,858,859	2,071,125	825,078
Child Development	65,835	392,947	402,152	56,630
Cafeteria	2,085,825	7,925,018	6,923,132	3,087,711
Building	8,119,308	707,426	-	8,826,734
Capital Facilities	47,998,406	3,437,187	9,658	51,425,935
County School Facilities	16,900,867	3,069,687	2,577,405	17,393,149
Special Reserve Fund for Capital Outlay Projects	573,497	(7,434)	-	566,063
Bond Interest and Redemption	12,495,268	30,007,903	28,722,634	13,780,537
<b>Total</b>	<b>\$ 163,775,203</b>	<b>\$ 245,651,795</b>	<b>\$ 231,948,836</b>	<b>\$ 177,478,162</b>

The primary reasons for these changes are:

1. Our General Fund is our principal operating fund. The fund balance for the General Fund increased from \$74.4 million to \$80.1 million. This increase is due to:
  - a. Increased LCFF revenue.
  - b. Increased Federal and State funding related to COVID-19 relief.
2. Our Capital Facilities Fund is used primarily to account for activities restricted to the items specified in agreements with developers. The fund balance for the Capital Facilities Fund increased from \$48.0 million to \$51.4 million. This increase is due to:
  - a. Receipt of developer fees related to new home construction.
3. Our other Non-Major Governmental Funds increased from \$41.4 million to \$45.9 million primarily due to:
  - a. Additional LCFF received for the charter school funds;
  - b. Increased student participation in the meal programs for the Cafeteria Funds; and
  - c. Debt service fund adjustments.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 21, 2022. (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 68).

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

- Significant revenue revisions made to the 2021-22 budget were due to:
  - The District received more LCFF revenue than originally projected.
  - The District received Federal and State funding related to COVID-19 relief.
- Budgeted expenditures decreased due to:
  - Technology purchases and improvements.
  - Expenditures funded by COVID-19 relief revenues.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2022, the District had \$369,032,047 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$6,749,875, or 1.8 %, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2022	2021
Land and construction in progress	\$ 28,237,243	\$ 50,800,543
Buildings and improvements	336,048,497	320,725,753
Furniture and equipment	3,166,564	2,796,858
Vehicles	1,579,743	1,458,768
Total	\$ 369,032,047	\$ 375,781,922

This year’s additions of approximately \$4.8 million included modernization of North Elementary School. Additions also included the purchase of several vehicles and equipment as well as the completion of several smaller building projects. We present more detailed information regarding our capital assets in Note 4 of the financial statements.

**Long-Term Liabilities**

At the end of this year, the District had \$266,030,393 in long-term obligations outstanding versus \$357,386,672 last year, a decrease of 25.6 %. Those long-term obligations consisted of:

**Table 6**

	Governmental Activities	
	2022	2021
Long-Term Liabilities		
General obligation bonds	\$ 132,391,817	\$ 135,213,377
Unamortized premiums	7,778,624	8,628,805
Private placement bonds - sole purchaser TSFFA (Blended CU)	11,085,000	12,525,000
Leases	-	32,186
Compensated absences	26,597	11,090
Total OPEB liability	22,671,808	21,651,770
Aggregate net pension liability	92,076,547	179,324,444
Total	<u>\$ 266,030,393</u>	<u>\$ 357,386,672</u>

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

At year-end, the District has a net pension liability of \$92,076,547 versus \$179,324,444 last year, a decrease of 87.2 million, or 48.7 %.

Other liabilities include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Notes 8, 9 and 12 of the financial statements.



**SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2021-2022 ARE NOTED BELOW:**

- Moody's upgrades to Aa1 from Aa2 on Tracy Unified School District (USD).
- TUSD effectively incorporated the development and use of its solar project to expand its STEM curriculum.
- TUSD successfully completed construction modernization of its North School, to further improve education in districts Title 1 sites.
- TUSD successfully completed refinancing bonds to assist in creating savings to long-term debt obligations.
- Deferred maintenance projects identified and completed.
- District remains fiscally strong.

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

In considering the District Budget for the 2022-2023 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

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

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	21:1	3,350
Grades four through eight	24:1	4,662
Grades nine through twelve	24.5:1	5,822

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Tracy Unified School District  
Statement of Net Position  
June 30, 2022

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 179,210,159
Receivables	20,202,766
Prepaid expense	956,771
Stores inventories	394,424
Capital assets not depreciated	28,237,243
Capital assets, net of accumulated depreciation	340,794,804
Total assets	569,796,167
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	3,041,481
Deferred outflows of resources related to OPEB	2,358,539
Deferred outflows of resources related to pensions	32,816,031
Total deferred outflows of resources	38,216,051
<b>Liabilities</b>	
Accounts payable	15,096,351
Interest payable	2,514,646
Unearned revenue	8,189,607
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	7,840,181
Long-term liabilities other than OPEB and pensions due in more than one year	143,441,857
Total other postemployment benefits liability (OPEB)	22,671,808
Aggregate net pension liabilities	92,076,547
Total liabilities	291,830,997
<b>Deferred Inflows of Resources</b>	
Deferred charge on refunding	828,370
Deferred inflows of resources related to OPEB	5,094,368
Deferred inflows of resources related to pensions	77,925,324
Total deferred inflows of resources	83,848,062
<b>Net Position</b>	
Net investment in capital assets	235,588,368
Restricted for	
Debt service	4,669,815
Capital projects	70,512,889
Educational programs	16,938,432
Other activities	3,050,482
Unrestricted	(98,426,827)
Total net position	\$ 232,333,159

Tracy Unified School District  
Statement of Activities  
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Total Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 108,410,241	\$ 278,872	\$ 21,041,450	\$ 2,785,603	\$ (84,304,316)
Instruction-related activities					
Supervision of instruction	5,886,757	100,857	2,160,644	-	(3,625,256)
Instructional library, media, and technology	8,858,561	-	2,315,363	-	(6,543,198)
School site administration	11,793,641	19,576	1,326,985	-	(10,447,080)
Pupil services					
Home-to-school transportation	5,859,534	-	1,451	-	(5,858,083)
Food services	6,684,646	254,149	7,475,424	-	1,044,927
All other pupil services	10,234,088	-	2,925,609	-	(7,308,479)
Administration					
All other administration	7,629,236	16,596	1,030,973	-	(6,581,667)
Plant services	18,456,751	9,833	704,743	-	(17,742,175)
Ancillary services	2,419,202	-	1,533,804	-	(885,398)
Community services	147,139	-	-	-	(147,139)
Interest on long-term liabilities	5,573,566	-	-	-	(5,573,566)
Other outgo	2,201,555	3,696,879	1,765,775	-	3,261,099
<b>Total governmental activities</b>	<b>\$ 194,154,917</b>	<b>\$ 4,376,762</b>	<b>\$ 42,282,221</b>	<b>\$ 2,785,603</b>	<b>(144,710,331)</b>
<b>General Revenues and Subventions</b>					
Property taxes, levied for general purposes					45,820,999
Property taxes, levied for debt service					11,944,602
Taxes levied for other specific purposes					813,265
Federal and State aid not restricted to specific purposes					110,083,283
Interest and investment earnings					(880,032)
Miscellaneous					3,947,736
<b>Subtotal general revenues, subventions and transfers</b>					<b>171,729,853</b>
<b>Change in Net Position</b>					<b>27,019,522</b>
<b>Net Position - Beginning</b>					<b>205,313,637</b>
<b>Net Position - Ending</b>					<b>\$ 232,333,159</b>

Tracy Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2022

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 87,374,487	\$ 51,356,822	\$ 40,478,850	\$ 179,210,159
Receivables	17,768,081	69,113	2,365,572	20,202,766
Due from other funds	716,619	-	4,530,026	5,246,645
Prepaid expenditures	956,771	-	-	956,771
Stores inventories	324,625	-	69,799	394,424
	<u>107,140,583</u>	<u>51,425,935</u>	<u>47,444,247</u>	<u>206,010,765</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 14,338,157	\$ -	\$ 758,194	\$ 15,096,351
Due to other funds	4,530,026	-	716,619	5,246,645
Unearned revenue	8,164,898	-	24,709	8,189,607
	<u>27,033,081</u>	<u>-</u>	<u>1,499,522</u>	<u>28,532,603</u>
<b>Total liabilities</b>				
<b>Fund Balances</b>				
Nonspendable	1,296,396	-	69,799	1,366,195
Restricted	16,082,410	51,425,935	45,089,047	112,597,392
Committed	27,897,033	-	-	27,897,033
Assigned	29,887,984	-	785,879	30,673,863
Unassigned	4,943,679	-	-	4,943,679
	<u>80,107,502</u>	<u>51,425,935</u>	<u>45,944,725</u>	<u>177,478,162</u>
<b>Total fund balances</b>				
<b>Total liabilities and fund balances</b>				
	<u>\$ 107,140,583</u>	<u>\$ 51,425,935</u>	<u>\$ 47,444,247</u>	<u>\$ 206,010,765</u>

Tracy Unified School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2022

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Total Fund Balance - Governmental Funds \$ 177,478,162

Amounts Reported for Governmental Activities in the  
 Statement of Net Position are Different Because

Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported as assets in  
 governmental funds.

The cost of capital assets is	\$ 562,807,039
Accumulated depreciation is	<u>(193,774,992)</u>

Net capital assets	369,032,047
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In governmental funds, unmatured interest on long-term  
 liabilities is recognized in the period when it is due. On the  
 government-wide financial statements, unmatured interest on  
 long-term liabilities is recognized when it is incurred. (2,514,646)

Deferred outflows of resources represent a consumption of net  
 position in a future period and is not reported in the governmental  
 funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	3,041,481
Other postemployment benefits (OPEB)	2,358,539
Net pension liability	<u>32,816,031</u>

Total deferred outflows of resources	38,216,051
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Deferred inflows of resources represent an acquisition of net position  
 that applies to a future period and is not reported in the governmental  
 funds. Deferred inflows of resources amount to and related to

Debt refundings (deferred charge on refunding)	(828,370)
Other postemployment benefits (OPEB)	(5,094,368)
Net pension liability	<u>(77,925,324)</u>

Total deferred inflows of resources	(83,848,062)
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Tracy Unified School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2022

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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(92,076,547)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(22,671,808)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	\$ (136,704,900)	
Compensated absences (vacations)	(26,597)	
Bond Premium	(7,778,624)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(6,771,917)</u>	
Total long-term liabilities		<u>(151,282,038)</u>
Total net position - governmental activities		<u><u>\$ 232,333,159</u></u>

Tracy Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Control Funding Formula	\$ 150,261,536	\$ -	\$ 2,671,231	\$ 152,932,767
Federal sources	13,360,032	-	7,310,341	20,670,373
Other State sources	25,971,697	-	4,272,591	30,244,288
Other local sources	6,062,130	3,437,187	14,873,533	24,372,850
Total revenues	<u>195,655,395</u>	<u>3,437,187</u>	<u>29,127,696</u>	<u>228,220,278</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	111,590,745	-	1,752,138	113,342,883
Instruction-related activities				
Supervision of instruction	6,623,919	-	69,953	6,693,872
Instructional library, media, and technology	9,120,569	-	-	9,120,569
School site administration	13,197,453	-	237,279	13,434,732
Pupil services				
Home-to-school transportation	6,390,325	-	-	6,390,325
Food services	130,489	-	6,643,452	6,773,941
All other pupil services	11,709,740	-	43,670	11,753,410
Administration				
All other administration	7,897,968	-	173,856	8,071,824
Plant services	18,742,164	9,658	135,573	18,887,395
Ancillary services	1,576,550	-	988,706	2,565,256
Community services	153,586	-	-	153,586
Other outgo	2,201,555	-	-	2,201,555
Facility acquisition and construction	918,961	-	2,576,376	3,495,337
Debt service				
Principal	-	-	6,240,000	6,240,000
Interest and other	-	-	5,596,756	5,596,756
Total expenditures	<u>190,254,024</u>	<u>9,658</u>	<u>24,457,759</u>	<u>214,721,441</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,401,371</u>	<u>3,427,529</u>	<u>4,669,937</u>	<u>13,498,837</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	341,517	-	-	341,517
Other sources - bond proceeds	-	-	17,090,000	17,090,000
Transfers out	-	-	(341,517)	(341,517)
Other uses - payment to refunded bond escrow agent	-	-	(16,885,878)	(16,885,878)
Net Financing Sources (Uses)	<u>341,517</u>	<u>-</u>	<u>(137,395)</u>	<u>204,122</u>
Net Change in Fund Balances	5,742,888	3,427,529	4,532,542	13,702,959
Fund Balance - Beginning	74,364,614	47,998,406	41,412,183	163,775,203
Fund Balance - Ending	<u>\$ 80,107,502</u>	<u>\$ 51,425,935</u>	<u>\$ 45,944,725</u>	<u>\$ 177,478,162</u>

Tracy Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2022

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Total Net Change in Fund Balances - Governmental Funds	\$ 13,702,959
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which depreciation expenses exceeds capital outlays in the period.	
Depreciation expenses	\$ (11,518,160)
Capital outlays and adjustments	<u>4,768,285</u>
Net expense adjustment	(6,749,875)
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was	
	(843,440)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.	
	(15,507)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	
	15,354,020
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.	
	(1,363,329)



Tracy Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2022

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Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	\$ 849,510
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	850,181
Payment of principal (including bond defeased) on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	6,240,000
General obligation bonds refunded	15,955,000
Leases	32,186
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	<u>97,817</u>
Change in net position of governmental activities	<u><u>\$ 27,019,522</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

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

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

### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Tracy School Facilities Financing Authority (TSFFA)'s financial activity is presented in the financial statements as a blended component unit within the Bond Interest and Redemption fund. Bonds issued by TSFFA and purchased by third parties are accounted for in the Bond Interest and Redemption Fund and in the government-wide governmental activities financial statements. Individually prepared financial statements of the Authority may be obtained through the business office of the District.

### **Other Related Entities**

**Charter School** The District has approved Charters for Discovery Charter School, Primary Charter School and Millennium Charter School pursuant to *Education Code* Section 47605. The Charter Schools are operated by Tracy Learning Center and are not considered component units of District.

### **Basis of Presentation - Fund Accounting**

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

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

### **Major Governmental Funds**

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

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$13,473,067.

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

### Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.
  - **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and **local** revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
  - **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146 and may not be used for any purposes other than those for which the bonds were issued.
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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

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

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

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

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Prepaid Expenditures (Expenses)**

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

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables” and long-term interfund loans are classified as “advances”. These amounts are eliminated in the governmental activities columns of the statement of net position.

### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term Liabilities**

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

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



### **Debt Issuance Costs, Premiums and Discounts**

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

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

### **Deferred Outflows/Inflows of Resources**

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

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

### **Pensions**

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

### **Postemployment Benefits Other Than Pensions (OPEB)**

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

### **Fund Balances - Governmental Funds**

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Stabilization Arrangement**

On June 17, 2022, the governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund and Special Reserve Fund is committed for technology standards, declining enrollment, cash flow, and mitigation of volatility in funding or expenditures. At June 30, 2022, \$27,897,033 of the fund balance for the General Fund was reported as committed.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$95,171,618 of restricted net position, all of which is restricted by enabling legislation.

### **Interfund Activity**

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

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

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Property Tax**

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

### **Change in Accounting Principles**

#### **Implementation of GASB Statement No. 87**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of this standard did not have significant impact to the District's financial Statements.

#### **Implementation of GASB Statement No. 89**

As of July 1, 2021, The District adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The implementation of this Standard establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There is no material effect of the implementation of this standard on the beginning net position.

#### **Implementation of GASB Statement No. 92**

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan

- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

### **Implementation of GASB Statement No. 93**

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

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	<u>\$ 179,210,159</u>
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Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 1,437,283
Cash with fiscal agent	2,072,900
Cash in revolving	15,000
Investments	<u>175,684,976</u>
Total deposits and investments	<u>\$ 179,210,159</u>

### Policies and Practices

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

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

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Weighted Average Maturity**

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days
County Treasury Investment Pool	<u>\$ 175,684,976</u>	329

### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2022.

### **Concentration of Credit Risk**

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

### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of approximately \$1,184,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### **Custodial Credit Risk - Investments**

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

The District's investments in the San Joaquin County Treasury Investment Pool are considered uncategorized in the fair value hierarchy.



**Note 3 - Receivables**

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 7,213,768	\$ -	\$ 938,366	\$ 8,152,134
State Government				
LCFF apportionment	8,075,941	-	-	8,075,941
Categorical aid	521,637	-	1,939	523,576
Lottery	495,400	-	61,493	556,893
Other State	117	-	-	117
Local Government				
Interest	116,448	69,113	34,952	220,513
Other local sources	1,344,770	-	1,328,822	2,673,592
	<u>\$ 17,768,081</u>	<u>\$ 69,113</u>	<u>\$ 2,365,572</u>	<u>\$ 20,202,766</u>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 27,924,931	\$ -	\$ -	\$ 27,924,931
Construction in progress	22,875,612	312,312	(22,875,612)	312,312
Total capital assets not being depreciated	50,800,543	312,312	(22,875,612)	28,237,243
Capital assets being depreciated				
Land improvements	25,954,343	-	-	25,954,343
Buildings and improvements	459,577,502	25,786,125	-	485,363,627
Furniture and equipment	11,613,746	1,107,640	-	12,721,386
Vehicles	10,092,620	437,820	-	10,530,440
Total capital assets being depreciated	507,238,211	27,331,585	-	534,569,796
Total capital assets	558,038,754	27,643,897	(22,875,612)	562,807,039
Accumulated depreciation				
Land improvements	(18,558,032)	(994,568)	-	(19,552,600)
Buildings and improvements	(146,248,060)	(9,468,813)	-	(155,716,873)
Furniture and equipment	(8,816,888)	(737,934)	-	(9,554,822)
Vehicles	(8,633,852)	(316,845)	-	(8,950,697)
Total accumulated depreciation	(182,256,832)	(11,518,160)	-	(193,774,992)
Governmental activities capital assets, net	<u>\$ 375,781,922</u>	<u>\$ 39,162,057</u>	<u>\$ (22,875,612)</u>	<u>\$ 369,032,047</u>

Depreciation expenses were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 10,371,190
Supervision of instruction	
Instructional library, media, and technology	389,546
Home-to-school transportation	404,438
Food services	111,023
All other administration	7,851
Plan Maintenance and Operations	<u>234,112</u>
Total depreciation expenses governmental activities	<u><u>\$ 11,518,160</u></u>

**Note 5 - Interfund Transactions**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 4,530,026	\$ 4,530,026
Non-Major Governmental Funds	<u>716,619</u>	<u>-</u>	<u>716,619</u>
Total	<u><u>\$ 716,619</u></u>	<u><u>\$ 4,530,026</u></u>	<u><u>\$ 5,246,645</u></u>

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

**Operating Transfers**

Interfund transfers 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. As of June 30, 2022, the District has interfund transfer of \$341,517 from the Charter Schools Fund to the General Fund for LCFF oversight and special education encroachment.

**Interfund Advances Between District and Blended Component Unit**

As of June 30, 2022, the District has a long-term advance in the amount of \$9,056,000 owed to its blended component unit, Tracy School Facilities Financing Authority (TSFFA). For financial reporting purposes, TSFFA is blended within the Bond Interest and Redemption Fund and therefore the internal advance has been eliminated. The long-term advance is a result of an initial transaction that occurred in April 2011, in which the District issued \$16 million of Series 2011A bonds that were purchased by the District’s blended component unit, TSFFA. The bonds have a stated interest rate of 3.00%. In order for TSFFA to have the funds available to purchase the Series 2011A Bonds, it issued Qualified School Construction Bonds (QSCBs), which is further described in Note 8. During the year ended June 30, 2022, the District repaid principal and interest in the amount of \$1,054,000 and \$287,490, respectively.

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

**Note 6 - Accounts Payable**

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
LCFF apportionment	\$ 8,572,367	\$ -	\$ 8,572,367
Vendor payables	5,712,091	758,160	6,470,251
Salaries and benefits	53,699	34	53,733
Total	\$ 14,338,157	\$ 758,194	\$ 15,096,351

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 4,070,685	\$ -	\$ 4,070,685
State categorical aid	4,094,213	24,709	4,118,922
Total	\$ 8,164,898	\$ 24,709	\$ 8,189,607

**Note 8 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

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

	Balance July 1, 2021	Additions/ Accretion	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 135,213,377	\$ 17,933,440	\$(20,755,000)	\$ 132,391,817	\$ 5,470,000
Unamortized debt premiums	8,628,805	-	(850,181)	7,778,624	850,181
Qualified School Construction Bonds (QSCB) (blended component unit)	12,525,000	-	(1,440,000)	11,085,000	1,520,000
Leases	32,186	-	(32,186)	-	-
Compensated absences	11,090	15,507	-	26,597	-
Total	\$ 156,410,458	\$ 17,948,947	\$(23,077,367)	\$ 151,282,038	\$ 7,840,181

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

### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
April 2011	8/1/2041	6.60%-8.54%	\$ 5,999,637	\$ 787,797	\$ -	\$ 67,764	\$ -	\$ 855,561
April 2011	8/1/2041	6.60%-8.54%	5,030,647	10,510,580	-	775,676	-	11,286,256
April 2014	8/1/2032	3.00%-5.00%	27,460,000	12,585,000	-	-	(1,255,000)	11,330,000
February 2015	8/1/2029	2.00%-5.00%	14,910,000	11,860,000	-	-	(935,000)	10,925,000
July 2015	8/1/2041	3.25%- 4.00%	9,100,000	2,170,000	-	-	(1,695,000)	475,000
July 2015	8/1/2040	4.00%-5.00%	29,000,000	16,540,000	-	-	(14,480,000)	2,060,000
March 2016	8/1/2035	2.00%-5.00%	11,940,000	11,465,000	-	-	(395,000)	11,070,000
April 2018	8/1/2042	2.00%-4.00%	30,000,000	25,160,000	-	-	(180,000)	24,980,000
September 2019	8/1/2030	1.92%-4.00%	23,000,000	20,405,000	-	-	(1,325,000)	19,080,000
August 2020	8/1/2032	1.74%-1.94%	9,260,000	9,260,000	-	-	(170,000)	9,090,000
August 2020	8/1/2040	0.34%-2.24%	14,470,000	14,470,000	-	-	(320,000)	14,150,000
May 2022	8/1/2040	3.430%	17,090,000	-	17,090,000	-	-	17,090,000
				<u>\$135,213,377</u>	<u>\$17,090,000</u>	<u>\$843,440</u>	<u>\$(20,755,000)</u>	<u>\$132,391,817</u>

### Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2023	\$ 5,470,000	\$ -	\$ 5,208,627	\$ 10,678,627
2024	5,810,000	-	4,976,356	10,786,356
2025	6,395,000	-	4,720,744	11,115,744
2026	6,550,000	-	4,444,961	10,994,961
2027	7,760,000	-	4,171,532	11,931,532
2028-2032	41,085,209	5,969,806	15,305,665	62,360,680
2033-2037	22,166,727	7,340,078	6,532,814	36,039,619
2038-2042	27,092,964	12,065,736	3,088,918	42,247,618
2043	<u>3,290,000</u>	<u>-</u>	<u>82,250</u>	<u>3,372,250</u>
Total	125,619,900	<u>\$ 25,375,620</u>	<u>\$ 48,531,867</u>	<u>\$ 199,527,387</u>
Accretions to date	<u>6,771,917</u>			
Total	<u>\$ 132,391,817</u>			

On March 22, 2016, the District issued \$11,490,000 in general obligation refunding bonds to refund the District's outstanding 2008 Election, Series 2009, and a portion of the 2008 Election, Series 2011B bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The balance in the escrow account was used to pay off the refunded bonds as of June 30, 2022.

On August 20, 2020, the District issued \$9,260,000 in general obligation refunding bonds to refund a portion of the 2014 Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The balance in the escrow account at June 30, 2022 was \$8,629,235 and the debt outstanding was \$8,175,000.

On August 20, 2020, the District issued \$14,470,000 in general obligation bonds to refund a portion of the School Facilities Improvement District No. 3 of Tracy Unified School District 2008 Election, Series 2015 and 2014 Election, Series 2015 bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. The balance in the escrow account at June 30, 2022 was \$12,515,496 and the debt outstanding was \$11,505,000.

On May 18, 2022, the District issued \$17,090,000 in general obligation refunding bonds to refund portion of the District's outstanding general obligation bonds, 2008 Election, series 2015 and 2014 Election, Series 2015. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The balance in the escrow account at June 30, 2022 was \$16,885,879 and the outstanding principal of the defeased debt was \$15,955,000. The difference between the cash flows required to service the old debt and the new debt was \$1,728,768 savings to the District. The refunding bonds resulted in an economic gain of \$1,224,926.

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

The outstanding QSCB is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Issued	Redeemed	Bonds Outstanding June 30, 2022
May 2011	5/1/2026	5.14%	\$19,770,000	\$ 12,525,000	-	\$ (1,440,000)	\$ 11,085,000

Bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ 1,520,000	\$ 530,705	\$ 2,050,705
2024	1,600,000	450,521	2,050,521
2025	1,685,000	366,097	2,051,097
2026	6,280,000	335,064	6,615,064
Total	\$ 11,085,000	\$ 1,682,387	\$ 12,767,387

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$26,597.

**Note 9 - Total Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2022, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 21,923,843	\$ 2,358,539	\$ 5,094,368	\$ 2,237,014
Medicare Premium Payment (MPP) Program	747,965	-	-	(195,851)
Total	<u>\$ 22,671,808</u>	<u>\$ 2,358,539</u>	<u>\$ 5,094,368</u>	<u>\$ 2,041,163</u>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

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

**Plan Membership**

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	87
Active employees	<u>1,197</u>
Total	<u><u>1,284</u></u>

**Benefits Provided**

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



### Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Tracy Educators Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2021, the District paid \$666,254 in benefits.

### Total OPEB Liability of the District

The District's total OPEB liability of \$21,923,843 was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2021.

### Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	2.75 percent per year
Discount rate	2.16 percent
Healthcare cost trend rates	4.00 percent for 2021

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Mortality for Active Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance, June 30, 2021	\$ 20,707,954
Service cost	2,143,894
Interest	471,209
Differences between expected and actual experience	(14,442)
Changes of assumptions or other inputs	(718,518)
Benefit payments	(666,254)
Net change in total OPEB liability	1,215,889
Balance, June 30, 2022	\$ 21,923,843

Changes of assumptions and other inputs reflect a change in the discount rate from 2.2% in 2021 to 2.16% in 2022.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.26%)	\$ 23,325,779
Current discount rate (2.16%)	21,923,843
1% increase (3.26%)	20,565,050

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	\$ 19,542,379
Current healthcare cost trend rate (4.00%)	21,923,843
1% increase (5.00%)	24,699,357

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the District recognized OPEB expense of \$2,237,014. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 672,044	\$ -
Differences between expected and actual experience	43,502	4,149,226
Changes of assumptions	1,642,993	945,142
Total	\$ 2,358,539	\$ 5,094,368

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (383,879)
2024	(383,879)
2025	(383,879)
2026	(383,879)
2027	(383,879)
Thereafter	(1,488,478)
Total	\$ (3,407,873)

## **Medicare Premium Payment (MPP) Program**

### **Plan Description**

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

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

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

### **Net OPEB Liability and OPEB Expense**

At June 30, 2022, the District reported a liability of \$747,965 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1875%, and 0.1937%, resulting in a net decrease in the proportionate share of 0.0062%.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$195,851).

**Actuarial Methods and Assumptions**

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021
Valuation Date	June 30, 2020
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members’ age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	\$ 824,462
Current discount rate (2.16%)	747,965
1% increase (3.16%)	682,605

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 680,186
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	747,965
1% increase (5.50% Part A and 6.40% Part B)	825,670

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 15,000	\$ -	\$ -	\$ 15,000
Stores inventories	324,625	-	69,799	394,424
Prepaid expenditures	956,771	-	-	956,771
Total nonspendable	<u>1,296,396</u>	<u>-</u>	<u>69,799</u>	<u>1,366,195</u>
<b>Restricted</b>				
Legally restricted programs	16,082,410	-	4,556,151	20,638,561
Food service	-	-	3,050,482	3,050,482
Capital projects	-	51,425,935	24,128,687	75,554,622
Debt services	-	-	13,353,727	13,353,727
Total restricted	<u>16,082,410</u>	<u>51,425,935</u>	<u>45,089,047</u>	<u>112,597,392</u>
<b>Committed</b>				
Technology, declining enrollment, cash flow and economic uncertainty	27,897,033	-	-	27,897,033
Total committed	<u>27,897,033</u>	<u>-</u>	<u>-</u>	<u>27,897,033</u>
<b>Assigned</b>				
Adult Education	37,196	-	-	37,196
Child Development Program	-	-	775	775
Cafeteria Program	-	-	233	233
Deferred Maintenance	2,009,939	-	-	2,009,939
Other educational programs	27,840,849	-	784,871	28,625,720
Total assigned	<u>29,887,984</u>	<u>-</u>	<u>785,879</u>	<u>30,673,863</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	4,943,679	-	-	4,943,679
Total unassigned	<u>4,943,679</u>	<u>-</u>	<u>-</u>	<u>4,943,679</u>
Total	<u>\$ 80,107,502</u>	<u>\$ 51,425,935</u>	<u>\$ 45,944,725</u>	<u>\$ 177,478,162</u>

**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, 2022, the District contracted with Northern California Regional Liability Excess Fund (NorCal Relief) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2022, the District participated in the San Joaquin County School Workers' Compensation (SJSWC), an insurance purchasing pool. The intent of the SJSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SJSWC. 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 SJSWC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the SJSWC. Coverage provided by SJSWC, SAFER, and NorCal Relief for property and liability and workers' compensation is as follows:

Insurance Program	Type of Coverage	Limits
San Joaquin County Schools Workers' Compensation	Workers' Compensation	\$1,000,000.00
SAFER	Excess Liability	\$1,000,000 - 25,000,000
NorCal Relief	Liability	\$1,000,000
NorCal Relief	Auto	\$1,000,000
NorCal Relief	Property	\$250,250,000

**Employee Medical Benefits**

The District has contracted with the Central Valley Schools Health and Welfare Trusts to provide employee health benefits. The Trust is a shared risk pool comprised of District Superintendents and labor representatives of both the California Teachers Association (CTA) and the California School Employees Association (CSEA). Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.



**Note 12 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 56,772,528	\$ 25,302,686	\$ 60,167,102	\$ 1,258,268
CalPERS	35,304,019	7,513,345	17,758,222	2,510,957
<b>Total</b>	<b>\$ 92,076,547</b>	<b>\$ 32,816,031</b>	<b>\$ 77,925,324</b>	<b>\$ 3,769,225</b>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.92%	16.92%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$12,828,762.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 56,772,528
State's proportionate share of the net pension liability	<u>28,565,734</u>
Total	<u><u>\$ 85,338,262</u></u>

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.1248% and 0.1278%, resulting in a net decrease in the proportionate share of 0.0030%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,258,268. In addition, the District recognized pension expense and revenue of \$977,341 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,828,762	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,287,643	9,216,791
Differences between projected and actual earnings on pension plan investments	-	44,908,531
Differences between expected and actual experience in the measurement of the total pension liability	142,218	6,041,780
Changes of assumptions	<u>8,044,063</u>	<u>-</u>
Total	<u><u>\$ 25,302,686</u></u>	<u><u>\$ 60,167,102</u></u>

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

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (11,404,074)
2024	(10,431,002)
2025	(10,689,864)
2026	(12,383,591)
Total	\$ (44,908,531)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 842,167
2024	2,317,799
2025	(1,737,170)
2026	(1,181,466)
2026	(1,368,871)
Thereafter	(1,657,106)
Total	\$ (2,784,647)

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 115,568,547
Current discount rate (7.10%)	56,772,528
1% increase (8.10%)	7,972,955

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	7.00%
Required employee contribution rate	22.91%	22.91%
Required employer contribution rate		

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$6,294,483.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$35,304,019. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.1736% and 0.1808%, resulting in a net decrease in the proportionate share of 0.0072%.

For the year ended June 30, 2022, the District recognized pension expense of \$2,510,957. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,294,483	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	164,947	4,126,365
Differences between projected and actual earnings on pension plan investments	-	13,548,631
Differences between expected and actual experience in the measurement of the total pension liability	1,053,915	83,226
Changes of assumptions	-	-
	<u>\$ 7,513,345</u>	<u>\$ 17,758,222</u>
Total	<u>\$ 7,513,345</u>	<u>\$ 17,758,222</u>

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

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (3,397,986)
2024	(3,124,752)
2025	(3,257,757)
2026	(3,768,136)
	<u>(13,548,631)</u>
Total	<u>\$ (13,548,631)</u>



The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District’s proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (518,465)
2024	(1,186,515)
2025	(1,169,782)
2026	(115,967)
Total	\$ (2,990,729)

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 59,527,532
Current discount rate (7.15%)	35,304,019
1% increase (8.15%)	15,193,304

### **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% of an employee's gross earnings. An employee is not required to contribute his or her gross earnings to the pension plan.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$8,023,181 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

## **Note 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, 2022.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all pending litigation is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

**Note 14 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions**

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

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

During the year ended June 30, 2022, the District made payments of \$1,890,954 to San Joaquin County Schools Workers' Compensation and \$494,362 to San Joaquin County Schools Data Processing joint powers authority.



Required Supplementary Information  
June 30, 2022

Tracy Unified School District

Tracy Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 149,127,210	\$ 150,261,536	\$ 150,261,536	\$ -
Federal sources	6,918,246	13,360,032	13,360,032	-
Other State sources	25,879,895	25,971,698	25,971,697	(1)
Other local sources	4,325,856	6,457,693	6,062,130	(395,563)
Total revenues <sup>1</sup>	<u>186,251,207</u>	<u>196,050,959</u>	<u>195,655,395</u>	<u>(395,564)</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	79,184,308	78,340,647	77,821,689	518,958
Classified salaries	26,198,457	28,225,189	28,038,422	186,767
Employee benefits	40,077,616	42,974,951	42,710,720	264,231
Books and supplies	33,075,742	13,680,703	13,598,364	82,339
Services and operating expenditures	22,010,943	22,165,196	22,010,944	154,252
Other outgo	2,338,830	2,042,691	4,482,664	(2,439,973)
Capital outlay	1,591,221	1,255,328	1,591,221	(335,893)
Debt service				
Debt service - principal	49,060	34,028	-	34,028
Total expenditures <sup>1</sup>	<u>204,526,177</u>	<u>188,718,733</u>	<u>190,254,024</u>	<u>(1,535,291)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,274,970)</u>	<u>7,332,226</u>	<u>5,401,371</u>	<u>(1,930,855)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	341,517	341,517	-
Net financing sources (uses)	<u>-</u>	<u>341,517</u>	<u>341,517</u>	<u>-</u>
Net Change in Fund Balances	(18,274,970)	7,673,743	5,742,888	(1,930,855)
Fund Balance - Beginning	<u>74,364,614</u>	<u>74,364,614</u>	<u>74,364,614</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 56,089,644</u>	<u>\$ 82,038,357</u>	<u>\$ 80,107,502</u>	<u>\$ (1,930,855)</u>

<sup>1</sup> Due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures.

Tracy Unified School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2022

Measurement Date	<u>2022</u> <u>June 30, 2021</u>	<u>2021</u> <u>June 30, 2020</u>	<u>2020</u> <u>June 30, 2019</u>	<u>2019</u> <u>June 30, 2018</u>	<u>2018</u> <u>June 30, 2017</u>
Total OPEB Liability					
Service cost	\$ 2,143,894	\$ 1,707,527	\$ 1,884,786	\$ 1,834,342	\$ 1,785,248
Interest	471,209	626,091	804,894	749,658	627,805
Experience (Gain)/Losses	41,969	52,118	(5,455,251)	-	-
Difference between expected and actual experience	(56,411)	-	(44,305)	-	-
Changes of assumptions	(718,518)	1,697,335	300,787	(431,070)	-
Benefit payments	(666,254)	(767,193)	(720,057)	(684,766)	(658,429)
Net change in total OPEB liability	1,215,889	3,315,878	(3,229,146)	1,468,164	1,754,624
Total OPEB Liability - Beginning	<u>\$ 20,707,954</u>	<u>17,392,076</u>	<u>20,621,222</u>	<u>19,153,058</u>	<u>17,398,434</u>
Total OPEB Liability - Ending	<u>\$ 21,923,843</u>	<u>\$ 20,707,954</u>	<u>\$ 17,392,076</u>	<u>\$ 20,621,222</u>	<u>\$ 19,153,058</u>
Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

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

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

Tracy Unified School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2022

Year ended June 30,	2022	2021	2020	No information 2019	No information 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of the net OPEB liability	0.1875%	0.1937%	0.2211%	0.0000%	0.0000%
Proportionate share of the net OPEB liability	\$ 747,965	\$ 943,816	\$ 823,322	\$ -	\$ -
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%

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

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



Tracy Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CaSTRS</b>					
Proportion of the net pension liability	0.1248%	0.1278%	0.1250%	0.1209%	0.1256%
Proportionate share of the net pension liability	\$ 56,772,528	\$ 123,863,711	\$ 112,874,836	\$ 111,093,896	\$ 116,192,524
State's proportionate share of the net pension liability	28,565,734	63,851,758	61,580,759	63,606,451	68,738,516
Total	<u>\$ 85,338,262</u>	<u>\$ 187,715,469</u>	<u>\$ 174,455,595</u>	<u>\$ 174,700,347</u>	<u>\$ 184,931,040</u>
Covered payroll	<u>\$ 69,198,364</u>	<u>\$ 70,429,854</u>	<u>\$ 68,669,361</u>	<u>\$ 64,459,751</u>	<u>\$ 66,386,471</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>82.04%</u>	<u>175.87%</u>	<u>164.37%</u>	<u>172.35%</u>	<u>175.02%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
<b>CaPERS</b>					
Proportion of the net pension liability	0.1736	0.1808%	0.1791%	0.1765%	0.1750%
Proportionate share of the net pension liability	\$ 35,304,019	\$ 55,460,733	\$ 52,186,050	\$ 47,068,348	\$ 41,774,500
Covered payroll	<u>\$ 26,356,349</u>	<u>\$ 26,014,467</u>	<u>\$ 25,117,246</u>	<u>\$ 23,513,476</u>	<u>\$ 21,966,871</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>133.95%</u>	<u>213.19%</u>	<u>207.77%</u>	<u>200.18%</u>	<u>190.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>

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

Tracy Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2022

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Measurement Date			
<b>CaSTRS</b>			
	0.1218%	0.1397%	0.1324%
Proportion of the net pension liability	\$ 98,505,968	\$ 94,050,907	\$ 77,395,022
Proportionate share of the net pension liability	56,077,690	49,742,562	46,734,456
State's proportionate share of the net pension liability	<u>\$ 154,583,658</u>	<u>\$ 143,793,469</u>	<u>\$ 124,129,478</u>
Total	<u>\$ 62,268,136</u>	<u>\$ 60,274,471</u>	<u>61,544,416</u>
Covered payroll			
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>158.20%</u>	<u>156.04%</u>	<u>126%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
<b>CaIPERS</b>			
	0.1772%	0.1750%	0.1826%
Proportion of the net pension liability	\$ 35,001,190	\$ 25,791,744	\$ 20,733,500
Proportionate share of the net pension liability	<u>\$ 21,068,524</u>	<u>\$ 19,354,226</u>	<u>19,069,634</u>
Covered payroll			
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>166.13%</u>	<u>133.26%</u>	<u>109%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

Tracy Unified School District  
Schedule of the District's Contributions  
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>								
Contractually required contribution	\$ 12,828,762	\$ 8,087,037	\$ 12,043,505	\$ 11,179,372	\$ 9,301,542	\$ 8,351,418	\$ 6,681,371	\$ 5,352,373
Less contributions in relation to the contractually required contribution	<u>12,828,762</u>	<u>8,087,037</u>	<u>12,043,505</u>	<u>11,179,372</u>	<u>9,301,542</u>	<u>8,351,418</u>	<u>6,681,371</u>	<u>5,352,373</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 75,820,106</u>	<u>\$ 69,198,364</u>	<u>\$ 70,429,854</u>	<u>\$ 68,669,361</u>	<u>\$ 64,459,751</u>	<u>\$ 66,386,471</u>	<u>\$ 62,268,136</u>	<u>\$ 60,274,471</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>								
Contractually required contribution	\$ 6,294,483	\$ 2,538,984	\$ 5,130,313	\$ 4,536,677	\$ 3,651,878	\$ 3,050,759	\$ 2,495,988	\$ 2,278,186
Less contributions in relation to the contractually required contribution	<u>6,294,483</u>	<u>2,538,984</u>	<u>5,130,313</u>	<u>4,536,677</u>	<u>3,651,878</u>	<u>3,050,759</u>	<u>2,495,988</u>	<u>2,278,186</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 27,474,828</u>	<u>\$ 26,356,349</u>	<u>\$ 26,014,467</u>	<u>\$ 25,117,246</u>	<u>\$ 23,513,476</u>	<u>\$ 21,966,871</u>	<u>\$ 21,068,524</u>	<u>\$ 19,354,226</u>
Contributions as a percentage of covered payroll	<u>22.91%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

**Note 1 - Purpose of Schedules**

**Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations. At June 30, 2022, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 188,718,733	\$ 190,254,024	\$ 1,535,291

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate assumption changed from 2.2 to 2.16% since the previous valuation.

**Schedule of the District’s Proportionate Share of the Net OPEB Liability - MPP Program**

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of the District's Contributions**

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



Supplementary Information  
June 30, 2022

Tracy Unified School District

Tracy Unified School District  
Schedule of Expenditures of Federal Awards  
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	\$ 183
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15547	5,279,628
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15618	1,565,853
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	15620	106,912
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Homeless Children and Youth	84.425W	15566	165
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	65,653
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15619	359,378
Subtotal			<u>7,377,772</u>
Every School Succeeds Act			
Title I, Part A, Basic, Low Income and Neglected	84.010	14329	1,739,455
Title II, Part A, Supporting Effective Instruction Local Grants	84.367A	14341	454,567
Title III, English Acquisition Grants, Immigrant Education Program	84.365	15146	32,383
Title III, English Learner Student Program	84.365	14346	416,798
Subtotal-Title III			<u>449,181</u>
Career and Technical Education Basic Grants to States	84.048	14894	132,887
Indian Education Grants to Local Education Agencies	84.060	10011	28,228
Special Education Cluster			
Special Education IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,512,931
Special Education IDEA Private School ISPs, Part B, Sec 611	84.027	10115	7,794
COVID-19 IDEA American Rescue Plan Local Assistance Entitlement, Part B, Sec 611	84.027X	15638	576,785
COVID-19 IDEA American Rescue Plan Private School ISPs, Part B, Sec 611	84.027X	10169	1,788
Subtotal			<u>3,099,298</u>
Special Education Grants to States, Preschool Grants, Part B, Sec 619, Age 3-4-5	84.173A	13430	42,160
COVID-19 IDEA American Rescue Plan Preschool Grants, Part B, Sec 619	84.173X	15639	36,321
Subtotal			<u>78,481</u>
Subtotal Special Education Cluster			<u>3,177,779</u>
Total U.S. Department of Education			<u>13,359,869</u>

Tracy Unified School District  
Schedule of Expenditures of Federal Awards  
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through California Department of Education (CDE)			
CCDF Cluster			
COVID-19 Child Development American Rescue Plan California State Preschool Program One-Time Stipend	93.575	15640	<u>20,400</u>
Subtotal CCDF Cluster			<u>20,400</u>
Total U.S. Department of Health and Human Services			<u>20,400</u>
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
Child Nutrition School Programs (National School Lunch, Sec 4 & 11) COVID-19 School Nutrition Program COVID-19 Emergency Operational Costs Reimbursement	10.555	13524	5,512,035
Commodity Supplemental Food	10.555	15637	314,211
	10.555	13524	<u>231,865</u>
Subtotal			<u>6,058,111</u>
Child Nutrition School Programs (Breakfast Program Severe Need)	10.553	13526	<u>931,013</u>
Subtotal Child Nutrition Cluster			<u>6,989,124</u>
Child and Adult Care Food Program	10.558	13529	263,099
COVID-19 CACFP COVID-19 Emergency Operation Costs Reimbursement	10.558	15577	<u>32,067</u>
Subtotal			<u>295,166</u>
COVID-19 Pandemic EBT Local Administrative Grant	10.649	15644	<u>5,814</u>
Total U.S. Department of Agriculture			<u>7,290,104</u>
Total Federal Financial Assistance			<u>\$ 20,670,373</u>



**ORGANIZATION**

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

**GOVERNING BOARD**

MEMBER	Title	TERM EXPIRES
Steve Abercrombie	President	2026
Jeremy Silcox	Vice President	2026
Lynn Dell Hawkins	Clerk	2024
Zachary Hoffert	Member	2024
RG Fagin	Member	2026
Ana Blanco	Member	2024
Olinga Alexander	Member	2026

**ADMINISTRATION**

NAME	TITLE
Dr. Rob Pecot	Superintendent
Tania Salinas	Associate Superintendent of Business Services
Julianna Stocking	Associate Superintendent of Educational Services
Tammy Jalique	Associate Superintendent of Human Resources
Reed Call	Director of Financial Services

Tracy Unified School District  
Schedule of Average Daily Attendance  
Year Ended June 30, 2022

	Final Report		As Adjusted Per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	3,036.86	3,044.24	3,036.86	3,044.24
Fourth through sixth	2,548.99	2,549.94	2,548.99	2,549.94
Seventh and eighth	1,746.84	1,747.00	1,746.84	1,747.00
Ninth through twelfth	5,279.31	5,263.26	5,279.31	5,263.26
Total Regular ADA	12,612.00	12,604.44	12,612.00	12,604.44
Extended Year Special Education				
Transitional kindergarten through third	8.03	8.03	8.03	8.03
Fourth through sixth	6.27	6.27	6.27	6.27
Seventh and eighth	2.38	2.38	2.38	2.38
Ninth through twelfth	-	-	-	-
Total Extended Year Special Education	16.68	16.68	16.68	16.68
Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	3.40	3.58	3.40	3.58
Fourth through sixth	3.98	4.19	3.98	4.19
Seventh and eighth	5.48	5.82	5.48	5.82
Ninth through twelfth	8.37	8.74	8.37	8.74
Total Special Education, Nonpublic, Nonsectarian Schools	21.23	22.33	21.23	22.33
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	-	-	-	-
Fourth through sixth	0.29	0.29	0.29	0.29
Seventh and eighth	0.42	0.42	0.42	0.42
Ninth through twelfth	0.58	0.58	0.58	0.58
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.29	1.29	1.29	1.29
Community Day School				
Transitional kindergarten through third	-	-	-	-
Fourth through sixth	-	-	-	-
Seventh and eighth	3.12	3.06	3.12	3.06
Ninth through twelfth	10.28	8.63	10.28	8.63
Total Community Day School	13.40	11.69	13.40	11.69
Total ADA	12,664.60	12,656.43	12,664.60	12,656.43

Tracy Unified School District  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2022

**Charter School**

**Nonclassroom-based ADA**

	Final Report		As Adjusted Per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular Nonclassroom-based ADA				
Transitional kindergarten through third	61.09	60.74	61.09	60.74
Fourth through sixth	52.16	53.00	51.16	52.00
Seventh and eighth	39.27	40.97	37.27	38.97
Ninth through twelfth	110.89	115.85	109.89	114.85
	263.41	270.56	259.41	266.56
Total Regular ADA				
	263.41	270.56	259.41	266.56
Total Charter School ADA	263.41	270.56	259.41	266.56

All charter school ADA are non-classroom based ADA.

Tracy Unified School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2022-2021 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,501	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,980	180	N/A	Complied
Grade 2		51,980	180	N/A	Complied
Grade 3		51,980	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		56,180	180	N/A	Complied
Grade 5		56,180	180	N/A	Complied
Grade 6		58,445	180	N/A	Complied
Grade 7		58,515	180	N/A	Complied
Grade 8		58,515	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,955	180	N/A	Complied
Grade 10		65,955	180	N/A	Complied
Grade 11		65,955	180	N/A	Complied
Grade 12		65,955	180	N/A	Complied

The District did not file J-13A during fiscal year 2021-2022.

Tracy Unified School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2022

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

	General Fund (Blended)	Capital Facilities Fund	Non-Major Governmental Fund
Fund Balance			
Balance, June 30, 2022, Unaudited Actuals	\$ 80,343,433	\$ 52,296,036	\$ 45,504,605
Decrease in			
County cash fair value adjustment	(235,931)	(870,101)	(626,728)
Accounts receivable	-	-	1,328,822
Cash in bank	-	-	(261,974)
Balance, June 30, 2022			
Audited Financial Statements	\$ 80,107,502	\$ 51,425,935	\$ 45,944,725

Tracy Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2022

	(Budget) 2023 <sup>1</sup>	2022	2021 <sup>1</sup>	2020 <sup>1</sup>
General Fund				
Revenues	\$ 173,007,467	\$ 195,655,395	\$ 188,841,753	\$ 170,887,801
Other sources	-	341,517	55,901	-
Total Revenues and Other Sources	<u>173,007,467</u>	<u>195,996,912</u>	<u>188,897,654</u>	<u>170,887,801</u>
Expenditures	188,216,012	190,254,024	168,898,597	163,941,317
Other uses and transfers out	-	-	2,870,774	2,861,956
Total Expenditures and Other Uses	<u>188,216,012</u>	<u>190,254,024</u>	<u>171,769,371</u>	<u>166,803,273</u>
Increase/(Decrease) in Fund Balance	<u>(15,208,545)</u>	<u>5,742,888</u>	<u>17,128,283</u>	<u>4,084,528</u>
Ending Fund Balance	<u>\$ 64,898,957</u>	<u>\$ 80,107,502</u>	<u>\$ 74,364,614</u>	<u>\$ 57,236,331</u>
Available Reserves <sup>2</sup>	<u>\$ 5,478,110</u>	<u>\$ 4,943,679</u>	<u>\$ 4,546,437</u>	<u>\$ 4,943,201</u>
Available Reserves as a Percentage of Total Outgo	<u>2.91%</u>	<u>2.60%</u>	<u>2.65%</u>	<u>2.96%</u>
Long-Term Liabilities	<u>Not Available</u>	<u>\$ 266,030,393</u>	<u>\$ 357,386,672</u>	<u>\$ 342,513,940</u>
K-12 Average Daily Attendance at P-2	<u>12,819</u>	<u>12,665</u>	<u>13,879</u>	<u>13,879</u>

The General Fund balance has increased by \$22,871,171 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$15,208,545 (19 %). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$77,618,547 over the past two years.

Average daily attendance has decreased by 1,214 over the past two years. The District anticipates an growth of 154 ADA during fiscal year 2022-2023.

<sup>1</sup> Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

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

Tracy Unified School District  
Schedule of Charter Schools  
Year Ended June 30, 2022

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

Tracy Unified School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2022

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund
<b>Assets</b>				
Deposits and investments	\$ 1,408,823	\$ 1,259,489	\$ 107,238	\$ 1,939,774
Receivables	-	70,043	157	934,863
Due from other funds	-	20,425	-	433,019
Stores inventories	-	-	-	69,799
	<u>1,408,823</u>	<u>1,349,957</u>	<u>107,395</u>	<u>3,377,455</u>
<b>Total assets</b>	<b>\$ 1,408,823</b>	<b>\$ 1,349,957</b>	<b>\$ 107,395</b>	<b>\$ 3,377,455</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 31,321	\$ 12,327	\$ 80,412
Due to other funds	-	493,558	13,729	209,332
Unearned revenue	-	-	24,709	-
	<u>-</u>	<u>524,879</u>	<u>50,765</u>	<u>289,744</u>
<b>Total liabilities</b>	<b>-</b>	<b>524,879</b>	<b>50,765</b>	<b>289,744</b>
<b>Fund Balances</b>				
Nonspendable	-	-	-	69,799
Restricted	1,408,823	39,199	56,630	3,017,912
Assigned	-	785,879	-	-
	<u>1,408,823</u>	<u>825,078</u>	<u>56,630</u>	<u>3,087,711</u>
<b>Total fund balances</b>	<b>1,408,823</b>	<b>825,078</b>	<b>56,630</b>	<b>3,087,711</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,408,823</b>	<b>\$ 1,349,957</b>	<b>\$ 107,395</b>	<b>\$ 3,377,455</b>



Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2022

	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 8,002,594	\$ 14,743,922	\$ 565,295	\$ 12,451,715	\$ 40,478,850
Receivables	10,876	20,043	768	1,328,822	2,365,572
Due from other funds	813,264	3,263,318	-	-	4,530,026
Stores inventories	-	-	-	-	69,799
<b>Total assets</b>	<b><u>\$ 8,826,734</u></b>	<b><u>\$ 18,027,283</u></b>	<b><u>\$ 566,063</u></b>	<b><u>\$ 13,780,537</u></b>	<b><u>\$ 47,444,247</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	634,134	\$ -	\$ -	\$ 758,194
Due to other funds	-	-	-	-	716,619
Unearned revenue	-	-	-	-	24,709
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>634,134</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,499,522</u></b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	69,799
Restricted	8,826,734	17,393,149	566,063	13,780,537	45,089,047
Assigned	-	-	-	-	785,879
<b>Total fund balances</b>	<b><u>8,826,734</u></b>	<b><u>17,393,149</u></b>	<b><u>566,063</u></b>	<b><u>13,780,537</u></b>	<b><u>45,944,725</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 8,826,734</u></b>	<b><u>\$ 18,027,283</u></b>	<b><u>\$ 566,063</u></b>	<b><u>\$ 13,780,537</u></b>	<b><u>\$ 47,444,247</u></b>

Tracy Unified School District  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental  
Funds  
Year Ended June 30, 2022

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Building Fund
<b>Revenues</b>					
Local Control Funding Formula	\$ -	\$ 2,671,231	\$ -	\$ -	\$ -
Federal sources	-	5,651	20,400	7,284,290	-
Other State sources	-	202,811	353,797	399,256	-
Other local sources	1,263,290	(20,834)	18,750	241,472	707,426
Total revenues	<u>1,263,290</u>	<u>2,858,859</u>	<u>392,947</u>	<u>7,925,018</u>	<u>707,426</u>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	-	1,510,291	241,847	-	-
Instruction-related activities					
Supervision of instruction	-	1,436	68,517	-	-
School site administration	-	159,222	78,057	-	-
Pupil services					
Food services	-	-	-	6,643,452	-
All other pupil services	-	43,670	-	-	-
Administration					
All other administration	-	14,989	13,731	145,136	-
Plant services	-	-	-	134,544	-
Ancillary services	988,706	-	-	-	-
Facility acquisition and construct	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	<u>988,706</u>	<u>1,729,608</u>	<u>402,152</u>	<u>6,923,132</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>274,584</u>	<u>1,129,251</u>	<u>(9,205)</u>	<u>1,001,886</u>	<u>707,426</u>
<b>Other Financing Sources (Uses)</b>					
Other sources - bond proceeds	-	-	-	-	-
Transfers out	-	(341,517)	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>(341,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	274,584	787,734	(9,205)	1,001,886	707,426
Fund Balance - Beginning	<u>1,134,239</u>	<u>37,344</u>	<u>65,835</u>	<u>2,085,825</u>	<u>8,119,308</u>
Fund Balance - Ending	<u>\$ 1,408,823</u>	<u>\$ 825,078</u>	<u>\$ 56,630</u>	<u>\$ 3,087,711</u>	<u>\$ 8,826,734</u>

Tracy Unified School District  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental  
Funds  
Year Ended June 30, 2022

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>Revenues</b>				
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ 2,671,231
Federal sources	-	-	-	7,310,341
Other State sources	3,261,348	-	55,379	4,272,591
Other local sources	(191,661)	(7,434)	12,862,524	14,873,533
Total revenues	<u>3,069,687</u>	<u>(7,434)</u>	<u>12,917,903</u>	<u>29,127,696</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	1,752,138
Instruction-related activities				
Supervision of instruction	-	-	-	69,953
School site administration	-	-	-	237,279
Pupil services				
Food services	-	-	-	6,643,452
All other pupil services	-	-	-	43,670
Administration				
All other administration	-	-	-	173,856
Plant services	1,029	-	-	135,573
Ancillary services	-	-	-	988,706
Facility acquisition and construct	2,576,376	-	-	2,576,376
Debt service				
Principal	-	-	6,240,000	6,240,000
Interest and other	-	-	5,596,756	5,596,756
Total expenditures	<u>2,577,405</u>	<u>-</u>	<u>11,836,756</u>	<u>24,457,759</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>492,282</u>	<u>(7,434)</u>	<u>1,081,147</u>	<u>4,669,937</u>
<b>Other Financing Sources (Uses)</b>				
Other sources - bond proceeds	-	-	17,090,000	17,090,000
Transfers out	-	-	-	(341,517)
Other uses - payment to refunded bond escrow agent	-	-	(16,885,878)	(16,885,878)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>204,122</u>	<u>(137,395)</u>
Net Change in Fund Balances	492,282	(7,434)	1,285,269	4,532,542
Fund Balance - Beginning	<u>16,900,867</u>	<u>573,497</u>	<u>12,495,268</u>	<u>41,412,183</u>
Fund Balance - Ending	<u>\$ 17,393,149</u>	<u>\$ 566,063</u>	<u>\$ 13,780,537</u>	<u>\$ 45,944,725</u>

## **Note 1 - Purpose of Schedules**

### **Schedule of Expenditures of Federal Awards (SEFA)**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Tracy Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or net position or fund balance, or cash flows of District.

#### Summary of Significant Accounting Policies

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

#### Indirect Cost Rate

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

#### Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had food commodities totaling \$69,799 in inventory.

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

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

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

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

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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

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

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

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

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

### **Schedule of Charter Schools**

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

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

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



Independent Auditor's Reports  
June 30, 2022

# Tracy Unified School District



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Governing Board  
Tracy Unified School District  
Tracy, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tracy Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Tracy Unified School District’s basic financial statements and have issued our report thereon dated March 6, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal controls, described in the accompanying Schedule of Findings and Questioned Costs as item #2022-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

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

### **Tracy Unified School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Tracy Unified School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Tracy Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Ramon, California  
March 6, 2023





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

To the Governing Board  
Tracy Unified School District  
Tracy, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Tracy Unified School District’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tracy Unified School District’s major federal programs for the year ended June 30, 2022. Tracy Unified School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Tracy Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tracy Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tracy Unified School District’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Tracy Unified School District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tracy Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tracy Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Tracy Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Tracy Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tracy Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California  
March 6, 2023



## Independent Auditor's Report on State Compliance

To the Governing Board  
Tracy Unified School District  
Tracy, California

### Report on Compliance

#### ***Qualified and Unmodified Opinions on State Compliance***

We have audited Tracy Unified School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

#### ***Qualified Opinion on Attendance Accounting and Reporting, Instructional Materials, and Charter Schools Nonclassroom-Based Instruction/Independent Study***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

#### ***Unmodified Opinion on Each of the Other Programs***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

#### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Matters Giving Rise to Qualified Opinion on Attendance Accounting and Reporting and Instructional Materials***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Attendance Accounting and Reporting, Instructional Materials, and Charter Schools Nonclassroom-Based Instruction/Independent Study as reported in findings 2022-002, 2022-003 and 2022-004.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and.
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
<b>Local Education Agencies Other than Charter Schools</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
<b>School Districts, County Offices of Education, and Charter Schools</b>	
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Programs	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	No (see below)
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Charter Schools	
Attendance	Yes
Mode of Instruction	No (see below)
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	No (see below)
Charter School Facility Grant Program	No (see below)

#### Early Retirement Incentive

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

#### Juvenile Court Schools

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

#### Middle or Early College High Schools

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

#### Apprenticeship: Related and Supplemental Instruction

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

#### District of Choice

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

#### California Clean Energy Jobs Act

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

#### After/Before School Education and Safety Program

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

#### Independent Study - Course Based

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

#### Immunization

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

#### Mode of Instruction and Annual Instruction Minutes Classroom-Based

We did not perform procedures for the Charter Schools Mode of Instruction nor Annual Instruction Minutes Classroom-Based because the District's charter school is entirely nonclassroom-based.

### Charter School Facility Grant Program

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002, 2022-003 and 2022-004.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002, 2022-003 and 2022-004 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Eide Bailly LLP*

San Ramon, California  
March 6, 2023



Schedule of Findings and Questioned Costs  
June 30, 2022

# Tracy Unified School District

**Financial statements**

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

**Federal awards**

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

**Identification of major programs**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)	84.425D, 84.425U, 84.425W
COVID-19 Governor's Emergency Education Relief Fund	84.425C
Title I Grant to Local Education Agencies	84.010
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

**State Compliance**

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Qualified
Unmodified for all programs except for the following program which was qualified	

<u>Name of Program</u>
Attendance Accounting and Reporting
Instructional Materials
Charter Schools
Nonclassroom-Based Instruction/Independent Study

The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2022-001      Material Audit Adjustments (30000)

**Criteria**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Additionally, management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition**

We were requested to draft the financial statements and related to notes to the financial statements. ASB cash balance did not agree to the bank reconciliations as of June 30, 2022. Cash balance was overstated by 261,974. In addition, the county cash for the Bond Interest and Redemption Fund was incorrectly transferred out to pay debt service payments for the defeased bonds in the escrow accounts. Audit adjustments were required to correct these errors.

**Cause**

The ASB cash adjustment appears to be due to errors in the ASB cash account reconciliations. Errors related to the improper cash transfer of debt service payments for the Bond Interest Redemption Fund appear to be management oversight during the review of the transaction request.

**Effect**

Audit adjustments were necessary in order for the District's financial statements to be fairly stated, in all material effect.

**Recommendation**

We recommend that management review the design of the District's internal controls over reconciliation of the ASB cash to ensure ASB activities are accurately recorded in the proper general ledger accounts. In addition, we recommend management strengthen the oversight of the financial transactions review process to ensure financial activities are accurately recorded in the district's general ledger.

**Repeat Finding**

No.

**Corrective Action Plan and Views of Responsible Officials**

We concur with this finding. The District will update our procedures and oversight to ensure ASB activities are accurately reflected in the general ledger. The District will strengthen the oversight of financial transactions to ensure financial activities are accurately recorded.

None reported.

The following findings represent instances of noncompliance and material weaknesses in internal controls over compliance that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
70000	Instructional Materials

**2022-002      10000 – Attendance Accounting and Reporting**

**Criteria**

According to the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, absences should not be included in ADA calculation.

**Condition**

During our audit of the Monte Vista Middle School attendance, it was noted that the attendance for 27 students who were absent were incorrectly reported in the attendance system as present.

**Questioned Costs**

No questioned costs. The District has submitted the amended P2 to correct these errors. The amended P2 was submitted at the same time as the District submit the Annual Attendance Report.

**Effect**

The District was not properly reporting the attendance as required by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Cause**

The exceptions noted above appear to be due to the “All Day Code” was not selected when a student was absence for all periods.

**Repeat Finding**

No.

**Recommendation**

District should ensure site personnel in charge of the attendance reporting receive adequate training to ensure attendance is accurately accounted for.

**Corrective Action Plan and Views of Responsible Officials**

We concur with this finding. Procedures and training for attendance staff have been implemented to ensure attendance reporting is accurate.

**2022-003      70000 – Instructional Materials**

Criteria

According to the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, District is required to provide 10-day notice of the required public hearing for making a determination through a resolution as to the sufficiency of textbooks or other instructional materials. [*Education Code* Section 60119].

Condition

During our audit of the Instructional Materials program, it was noted that the notice of public hearing was published 7 days prior to the public hearing instead of 10-day as required.

Questioned Costs

No questioned costs associated with this requirement.

Effect

The District was not in compliance with the state requirements for Instructional Materials program.

Cause

This appears to be an oversight during the developing the timelines for the public notice and public hearing process.

Repeat Finding

No.

Recommendation

The District should implement procedures to ensure 10-day notice of the public hearing is provided for instructional materials program.

Corrective Action Plan and Views of Responsible Officials

We concur with this finding. The District's Associate Superintendent for Education Services will monitor the Director of Instructional Media Services to ensure the Instructional Materials program will be published 10-days prior to the public hearing and that the public hearing will be held no later than the 8<sup>th</sup> week of the school year, as required.

**2022-004      10000 – Attendance Accounting and Reporting  
(Charter School Nonclassroom-Based Instruction/Independent Study)**

Criteria

According to the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, Charter School Nonclassroom-Based/Independent Study program, each student whose ADA was claimed, must have a written agreement and each agreement must contain all of the elements required by Education Code section 51747(g).

Condition

During our audit of the Tracy Independent Study Charter attendance, it was noted that the three students did not have a written agreement on file and two students whose written agreement did not have all of the elements present as required by Education Code section 51747(g). One these two students did not have the begin and end date and independent study written on the contract and one did not have the contract signed within 30 days of the first day of independent study instruction or October 15.

Questioned Costs

No questioned costs. The District has submitted the amended P2 to correct these errors. The amended P2 was submitted at the same time as the District submit the Annual Attendance Report for the charter school.

Effect

The District was not in compliance with Nonclassroom-Based Instruction/Independent Study program.

Cause

It appears that the required written agreements for Nonclassrrom-Based Instruction/Independent Study were not obtained for all of the students and not all of the written agreements contained all the elements required by Education Code section 51747(g).

Repeat Finding

No.

Recommendation

District should ensure personnel in charge of the nonclassroom-based instruction/independent study have the proper trainings to ensure District is in compliance with Nonclassroom-Based Instruction/Independent Study program.

Corrective Action Plan and Views of Responsible Officials

We concur with this finding. The students must attend a mandatory in person orientation meeting where the master agreement is covered and signed for all students. No students will be enrolled until they attend the in person meeting and have a signed master agreement.



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

### **Financial Statement Findings**

#### 2021-001 Material Audit Adjustment (30000)

##### Criteria

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

##### Condition

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

##### Cause

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

##### Effect

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

##### Repeat Finding

No

##### Recommendation

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

##### Current Status

Implemented.

2021-002 Material Audit Adjustments and Restatement (30000)

Criteria

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

Condition

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

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

Cause

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

Effect

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

Repeat Finding

No.

Recommendation

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

Current Status

Implemented.