



Financial Statements
June 30, 2023

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, 2023, 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 District, as of June 30, 2023, 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 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 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 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 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 GAAS, 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 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 financial 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 GAAS. 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 financial 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 February 29, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the District's internal control over financial reporting and compliance.

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

Menlo Park, California
February 29, 2024

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, 2023, with comparative information for the year ended June 30, 2022. 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 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 \$276,950,405. As a result of increased funding for COVID-19 relief as well as additional state funding such as Learning Recovery, Arts Music Block Grant and Expanded Learning Opportunity Grant, the District's net position increased \$44.6 million or 19%.

- Total governmental fund revenues were \$289.6 million. General Fund revenue accounted for \$254 million or 87.7% of total revenues.
- The District had \$241 million in government-wide expenses; \$90 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 2022-2023 school year, Tracy Unified School District's unduplicated pupil count of students was 60.16%.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$276,950,405 for the fiscal year ended June 30, 2023. Of this amount, (\$85,749,979) 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	
	2023	2022
Assets		
Current and other assets	\$ 224,246,440	\$ 200,764,120
Capital assets	<u>369,291,934</u>	<u>369,032,047</u>
Total assets	<u>593,538,374</u>	<u>569,796,167</u>
Deferred outflows of resources	<u>51,864,757</u>	<u>38,216,051</u>
Liabilities		
Current liabilities	22,718,052	25,800,604
Long-term liabilities	<u>316,741,321</u>	<u>266,030,393</u>
Total liabilities	<u>339,459,373</u>	<u>291,830,997</u>
Deferred inflows of resources	<u>28,993,353</u>	<u>83,848,062</u>
Net Position		
Net investment in capital assets	245,251,098	235,588,368
Restricted	118,014,317	95,171,618
Unrestricted	<u>(86,315,010)</u>	<u>(98,426,827)</u>
Total net position	<u>\$ 276,950,405</u>	<u>\$ 232,333,159</u>

The (\$85,749,979) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 12.9% (\$98,426,827) compared to (\$98,426,827). 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	
	2023	2022
Revenues		
Program revenues		
Charges for services and sales	\$ 3,852,902	\$ 4,376,762
Operating grants and contributions	85,776,414	42,282,221
Capital grants and contributions	438,529	2,785,603
General revenues		
Federal and State aid not restricted	121,264,388	110,083,283
Property taxes	59,795,224	58,578,866
Other general revenues	14,888,352	3,067,704
Total revenues	286,015,809	221,174,439
Expenses		
Instruction-related	172,403,616	134,949,200
Pupil services	28,491,017	22,778,268
Administration	9,009,313	7,629,236
Plant services	21,496,494	18,456,751
All other services	9,998,123	10,341,462
Total expenses	241,398,563	194,154,917
Change in net position	\$ 44,617,246	\$ 27,019,522

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was \$241,398,563. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$59,795,224 because the cost was paid by those who benefited from the programs (\$3,852,902) or by other governments and organizations who subsidized certain programs with grants and contributions (\$85,776,414). We paid for the remaining "public benefit" portion of our governmental activities with \$121,264,388 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-related 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 increased primarily because of expenditures that were funded by COVID-19 revenues and additional state funding. 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	
	2023	2022	2023	2022
Instruction-related	\$ 172,403,616	\$ 134,949,200	\$ (108,107,412)	\$ (104,919,850)
Pupil services	28,491,017	22,778,268	(13,294,704)	(12,121,635)
Administration	9,009,313	7,629,236	(9,000,211)	(6,581,667)
Plant services	21,496,494	18,456,751	(19,934,580)	(17,742,175)
All other services	9,998,123	10,341,462	(993,811)	(3,345,004)
Total	\$ 241,398,563	\$ 194,154,917	\$ (151,330,718)	\$ (144,710,331)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$204,170,458, which is an increase of \$26,692,296 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2023
General	\$ 80,107,502	\$ 256,805,929	\$ 229,270,393	\$ 107,643,038
Student Activity Fund	1,408,823	1,533,414	1,533,414	1,408,823
Charter Schools	825,078	4,096,120	4,029,438	891,760
Child Development	56,630	467,126	477,112	46,644
Cafeteria	3,087,711	10,641,489	8,893,427	4,835,773
Building	8,826,734	1,113,087	-	9,939,821
Capital Facilities	51,425,935	4,934,597	6,470,438	49,890,094
County School Facilities	17,393,149	4,050,454	7,132,744	14,310,859
Special Reserve Fund for Capital Outlay Projects	566,063	14,660	-	580,723
Bond Interest and Redemption	13,780,537	12,390,652	11,548,266	14,622,923
Total	\$ 177,478,162	\$ 296,047,528	\$ 269,355,232	\$ 204,170,458

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 \$80.1 million to \$107.6 million. This increase is due to:
 - a. Increased LCFF revenue.
 - b. Increased Federal and State funding related to COVID-19 relief, learning recovery, and other state funding.
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 decreased from \$51.4 million to \$49.9 million. This decrease is due to:
 - a. Facilities projects for program expansion.
3. Our other Non-Major Governmental Funds increased from \$28.6 million to \$32.3 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. Increase in Building Fund interest income and 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 13, 2023. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66).

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

- Significant revenue revisions made to the 2022-23 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 increased due to:
 - Technology purchases and improvements.
 - Expenditures funded by COVID-19 relief revenues.

Capital Assets

At June 30, 2023, the District had \$369,291,934 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$259,887, or 0.1 %, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022
Land and construction in progress	\$ 37,901,077	\$ 28,237,243
Buildings and improvements	326,251,151	336,048,497
Furniture and equipment	3,474,728	3,166,564
Vehicles	1,664,978	1,579,743
Total	\$ 369,291,934	\$ 369,032,047

This year's additions of approximately \$12.3 million included modernization of Villalovoz 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 \$316,741,321 in long-term liabilities outstanding versus \$266,030,393 last year, an increase of 19 %. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2023	2022
Long-Term Liabilities		
General obligation bonds	\$ 127,828,749	\$ 132,391,817
Unamortized premiums	6,348,503	7,778,624
Private placement bonds - sole purchaser TSFFA (Blended CU)	9,565,000	11,085,000
Compensated absences	18,401	26,597
Total OPEB liability	21,785,468	22,671,808
Aggregate net pension liability	151,195,200	92,076,547
Total	\$ 316,741,321	\$ 266,030,393

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 \$151,195,200 versus \$92,076,547 last year, an increase of 59.1 million, or 64.2 %.

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 2022-2023 ARE NOTED BELOW:

- TUSD successfully completed safety improvements at multiple sites.
- TUSD successfully completed the STEM Grant to expand its STEM curriculum.
- TUSD implemented the expansion of Transitional Kindergarten.
- 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 2023-2024 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	3,368
Grades four through eight	24:1	4,572
Grades nine through twelve	24.5:1	5,732

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.

Tracy Unified School District
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Deposits and investments	\$ 201,510,137
Receivables	21,817,279
Prepaid expense	478,386
Stores inventories	440,638
Capital assets not depreciated	37,901,077
Capital assets, net of accumulated depreciation	331,390,857
Total assets	593,538,374
Deferred Outflows of Resources	
Deferred charge on refunding	2,785,844
Deferred outflows of resources related to OPEB	2,142,055
Deferred outflows of resources related to pensions	46,936,858
Total deferred outflows of resources	51,864,757
Liabilities	
Accounts payable	17,742,181
Interest payable	2,642,070
Unearned revenue	2,333,801
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	8,260,181
Long-term liabilities other than OPEB and pensions due in more than one year	135,500,472
Total other postemployment benefits liability (OPEB)	21,785,468
Aggregate net pension liabilities	151,195,200
Total liabilities	339,459,373
Deferred Inflows of Resources	
Deferred charge on refunding	703,099
Deferred inflows of resources related to OPEB	6,605,807
Deferred inflows of resources related to pensions	21,684,447
Total deferred inflows of resources	28,993,353
Net Position	
Net investment in capital assets	245,251,098
Restricted for	
Debt service	4,302,003
Capital projects	64,779,945
Educational programs	44,162,309
Child nutrition	4,770,060
Unrestricted	(86,315,010)
Total net position	\$ 276,950,405

Tracy Unified School District
Statement of Activities
Year Ended June 30, 2023

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
Governmental Activities					
Instruction	\$ 139,605,659	\$ 216,965	\$ 51,357,214	\$ 438,529	\$ (87,592,951)
Instruction-related activities					
Supervision of instruction	7,869,263	123,431	4,397,201	-	(3,348,631)
Instructional library, media, and technology	9,030,979	20,004	3,624,094	-	(5,386,881)
School site administration	15,897,715	14,052	4,104,714	-	(11,778,949)
Pupil services					
Home-to-school transportation	6,962,574	-	-	-	(6,962,574)
Food services	8,675,249	228,854	10,124,950	-	1,678,555
All other pupil services	12,853,194	8,869	4,833,640	-	(8,010,685)
Administration					
All other administration	9,009,313	9,102	-	-	(9,000,211)
Plant services	21,496,494	61,984	1,499,930	-	(19,934,580)
Ancillary services	3,102,185	-	886,967	-	(2,215,218)
Community services	168,296	-	1,557,605	-	1,389,309
Interest on long-term liabilities	4,292,867	-	-	-	(4,292,867)
Other outgo	2,434,775	3,169,641	3,390,099	-	4,124,965
Total governmental activities	\$ 241,398,563	\$ 3,852,902	\$ 85,776,414	\$ 438,529	(151,330,718)
General Revenues and Subventions					
Property taxes, levied for general purposes					47,448,175
Property taxes, levied for debt service					11,446,801
Taxes levied for other specific purposes					900,248
Federal and State aid not restricted to specific purposes					121,264,388
Interest and investment earnings					2,156,432
Miscellaneous					12,731,920
Total general revenues and transfers					195,947,964
Change in Net Position					44,617,246
Net Position - Beginning					232,333,159
Net Position - Ending					\$ 276,950,405

Tracy Unified School District
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 101,563,923	\$ 55,876,405	\$ 14,157,904	\$ 29,911,905	\$ 201,510,137
Receivables	19,387,542	483,367	142,937	1,803,433	21,817,279
Due from other funds	3,501,362	-	3,612,465	1,588,881	8,702,708
Prepaid expenditures	478,386	-	-	-	478,386
Stores inventories	375,158	-	-	65,480	440,638
Total assets	\$ 125,306,371	\$ 56,359,772	\$ 17,913,306	\$ 33,369,699	\$ 232,949,148
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 13,901,903	\$ -	\$ 3,602,447	237,831	\$ 17,742,181
Due to other funds	1,553,016	6,469,678	-	680,014	8,702,708
Unearned revenue	2,208,414	-	-	125,387	2,333,801
Total liabilities	17,663,333	6,469,678	3,602,447	1,043,232	28,778,690
Fund Balances					
Nonspendable	868,544	-	-	65,480	934,024
Restricted	42,187,466	49,890,094	14,310,859	31,886,639	138,275,058
Committed	31,959,195	-	-	-	31,959,195
Assigned	17,319,779	-	-	374,348	17,694,127
Unassigned	15,308,054	-	-	-	15,308,054
Total fund balances	107,643,038	49,890,094	14,310,859	32,326,467	204,170,458
Total liabilities and fund balances	\$ 125,306,371	\$ 56,359,772	\$ 17,913,306	\$ 33,369,699	\$ 232,949,148

Tracy Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balance - Governmental Funds		\$ 204,170,458
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 566,031,363	
Accumulated depreciation is	<u>(196,739,429)</u>	
Net capital assets		369,291,934
<p>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.</p>		
		(2,642,070)
<p>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</p>		
Debt refundings (deferred charge on refunding)	2,785,844	
Other postemployment benefits (OPEB)	2,142,055	
Net pension liability	<u>46,936,858</u>	
Total deferred outflows of resources		51,864,757
<p>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</p>		
Debt refundings (deferred charge on refunding)	(703,099)	
Other postemployment benefits (OPEB)	(6,605,807)	
Net pension liability	<u>(21,684,447)</u>	
Total deferred inflows of resources		(28,993,353)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(151,195,200)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(21,785,468)

Tracy Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

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	\$ (129,714,899)
Compensated absences (vacations)	(18,401)
Bond Premium	(6,348,503)

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

(7,678,850)

Total long-term liabilities	<u>(143,760,653)</u>
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Total net position - governmental activities	<u><u>\$ 276,950,405</u></u>
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Tracy Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 167,410,047	\$ -	\$ -	\$ 3,305,548	\$ 170,715,595
Federal sources	21,061,026	-	-	6,474,286	27,535,312
Other State sources	53,274,202	-	-	5,132,056	58,406,258
Other local sources	12,252,819	4,934,597	438,529	15,308,793	32,934,738
Total revenues	<u>253,998,094</u>	<u>4,934,597</u>	<u>438,529</u>	<u>30,220,683</u>	<u>289,591,903</u>
Expenditures					
Current					
Instruction	134,453,565	-	-	3,574,966	138,028,531
Instruction-related activities					
Supervision of instruction	8,407,622	-	-	11,567	8,419,189
Instructional library, media, and technology	9,248,015	-	-	-	9,248,015
School site administration	16,421,124	-	-	443,681	16,864,805
Pupil services					
Home-to-school transportation	6,886,619	-	-	-	6,886,619
Food services	202,782	-	-	8,559,853	8,762,635
All other pupil services	13,798,703	-	-	180,293	13,978,996
Administration					
All other administration	9,158,590	-	-	208,164	9,366,754
Plant services	21,418,136	305,903	16,055	166,228	21,906,322
Ancillary services	1,648,205	-	-	1,533,414	3,181,619
Community services	172,890	-	-	-	172,890
Other outgo	2,434,775	-	-	-	2,434,775
Capital Outlay	4,983,502	-	7,116,689	-	12,100,191
Debt service					
Principal	-	-	-	5,864,000	5,864,000
Interest and other	-	-	-	5,684,266	5,684,266
Total expenditures	<u>229,234,528</u>	<u>305,903</u>	<u>7,132,744</u>	<u>26,226,432</u>	<u>262,899,607</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,763,566</u>	<u>4,628,694</u>	<u>(6,694,215)</u>	<u>3,994,251</u>	<u>26,692,296</u>
Other Financing Sources (Uses)					
Transfers in	2,807,835	-	3,611,925	35,865	6,455,625
Transfers out	(35,865)	(6,164,535)	-	(255,225)	(6,455,625)
Net Financing Sources (Uses)	<u>2,771,970</u>	<u>(6,164,535)</u>	<u>3,611,925</u>	<u>(219,360)</u>	<u>-</u>
Net Change in Fund Balances	27,535,536	(1,535,841)	(3,082,290)	3,774,891	26,692,296
Fund Balance - Beginning	80,107,502	51,425,935	17,393,149	28,551,576	177,478,162
Fund Balance - Ending	<u>\$ 107,643,038</u>	<u>\$ 49,890,094</u>	<u>\$ 14,310,859</u>	<u>\$ 32,326,467</u>	<u>\$ 204,170,458</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, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 26,692,296

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	\$ (11,840,304)
Capital outlays and adjustments	<u>12,100,191</u>

Net expense adjustment	259,887
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (906,932)

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. 8,196

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. 11,243,051

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. (841,583)

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, 2023

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.	\$ (81,373)
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	1,381,128
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	6,990,000
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	<u>(127,424)</u>
Change in net position of governmental activities	<u><u>\$ 44,617,246</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 \$12,280,218.

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

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Non-Major Governmental Funds

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major 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 government-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, 2023.

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, 2023, 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, 2023, \$31,959,195 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 \$117,449,286 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.

Implementation of GASB Statement No. 91

As of July 1, 2022, the District adopted GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. There was not a significant effect on the District's financial statements as a result of the implementation of the standards.

Implementation of GASB Statement No. 94

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of a right-to-use asset-intangible asset and a corresponding, liability. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	\$ <u>201,510,137</u>
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Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 1,426,926
Cash with fiscal agent	2,263,674
Cash in revolving	15,000
Investments	<u>197,804,537</u>
Total deposits and investments	<u>\$ 201,510,137</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 Years
County Treasury Investment Pool	<u>\$ 197,804,537</u>	338

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, 2023.

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, 2023, the District's bank balance of approximately \$1,311,000 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, 2023, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 8,209,450	\$ -	\$ -	\$ 1,127,941	\$ 9,337,391
State Government					
LCFF apportionment	1,218,387	-	-	17,047	1,235,434
Categorical aid	4,084,942	-	-	522,186	4,607,128
Lottery	800,136	-	-	21,021	821,157
Other State	117	-	-	-	117
Local Government					
Interest	886,353	483,367	142,937	115,238	1,627,895
Other local sources	4,188,157	-	-	-	4,188,157
Total	<u>\$ 19,387,542</u>	<u>\$ 483,367</u>	<u>\$ 142,937</u>	<u>\$ 1,803,433</u>	<u>\$ 21,817,279</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 27,924,931	\$ -	\$ -	\$ 27,924,931
Construction in progress	312,312	9,876,146	(212,312)	9,976,146
Total capital assets not being depreciated	<u>28,237,243</u>	<u>9,876,146</u>	<u>(212,312)</u>	<u>37,901,077</u>
Capital assets being depreciated				
Land improvements	25,954,343	-	(3,714,574)	22,239,769
Buildings and improvements	485,363,627	1,101,149	(3,328,606)	483,136,170
Furniture and equipment	12,721,386	898,976	(1,832,687)	11,787,675
Vehicles	10,530,440	436,232	-	10,966,672
Total capital assets being depreciated	<u>534,569,796</u>	<u>2,436,357</u>	<u>(8,875,867)</u>	<u>528,130,286</u>
Total capital assets	<u>562,807,039</u>	<u>12,312,503</u>	<u>(9,088,179)</u>	<u>566,031,363</u>
Accumulated depreciation				
Land improvements	(19,552,600)	(994,568)	3,714,574	(16,832,594)
Buildings and improvements	(155,716,873)	(9,903,927)	3,328,606	(162,292,194)
Furniture and equipment	(9,554,822)	(590,812)	1,832,687	(8,312,947)
Vehicles	(8,950,697)	(350,997)	-	(9,301,694)
Total accumulated depreciation	<u>(193,774,992)</u>	<u>(11,840,304)</u>	<u>8,875,867</u>	<u>(196,739,429)</u>
Governmental activities capital assets, net	<u>\$ 369,032,047</u>	<u>\$ 472,199</u>	<u>\$ (212,312)</u>	<u>\$ 369,291,934</u>

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

Governmental Activities	
Instruction	\$ 10,852,880
Instructional library, media, and technology	193,303
Home-to-school transportation	409,240
Food services	101,688
All other administration	16,657
Plan Maintenance and Operations	<u>266,536</u>
Total depreciation expenses governmental activities	<u><u>\$ 11,840,304</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, 2023, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 1,553,016	\$ 1,553,016
Capital facilities fund	2,821,348	3,612,465	35,865	6,469,678
Non-Major Governmental Funds	680,014	-	-	680,014
Total	\$ 3,501,362	\$ 3,612,465	\$ 1,588,881	\$ 8,702,708

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

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 35,865	\$ 35,865
Capital Facilities Fund	2,552,610	3,611,925	-	6,164,535
Non-Major Governmental Funds	255,225	-	-	255,225
Total	<u>\$ 2,807,835</u>	<u>\$ 3,611,925</u>	<u>\$ 35,865</u>	<u>\$ 6,455,625</u>

The General Fund transferred to Cafeteria fund for expenditures.	35,865
Charter School Fun transferred to General fund for Special Education Encroachment and 1% LCFF Oversight Fee.	222,169
Charter School Fund transferred to the General Fund for 1% Oversight Fee.	33,055
Capital Facilities fund transferred to the general fund for construction costs.	598,062
Capital Facilities fund transferred to the general fun for 22/23 Admin Fees.	108,397
Capital facilities fund transferred to the General Fund for prior year admin fees.	1,303,680
Capital Facilities fund transferred to the deferred maintenance fund for construction expenditure reimbursement.	542,471
Capital Facilities fund transferred to County Schools Facilities Fund for construction expenditure reimbursement	3,611,926
Total	<u>\$ 6,455,625</u>

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

Interfund Advances Between District and Blended Component Unit

As of June 30, 2023, the District has a long-term advance in the amount of \$7,930,000 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, 2023, the District repaid principal and interest in the amount of \$1,126,000 and \$254,790, 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, 2023, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 10,080,986	\$ 3,602,447	\$ 111,147	\$ 13,794,580
State apportionment	130,975	-	277	131,252
Salaries and benefits	1,062,607	-	78,594	1,141,201
Other	2,627,335	-	47,813	2,675,148
Total	\$ 13,901,903	\$ 3,602,447	\$ 237,831	\$ 17,742,181

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 1,163,671	\$ -	\$ 1,163,671
State categorical aid	1,044,743	125,387	1,170,130
Total	\$ 2,208,414	\$ 125,387	\$ 2,333,801

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, 2022	Accretion	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 132,391,817	\$ 906,932	\$ (5,470,000)	\$ 127,828,749	\$ 5,810,000
Unamortized debt premiums	7,778,624	-	(1,430,121)	6,348,503	850,181
Qualified School Construction Bonds (QSCB) (blended component unit)	11,085,000	-	(1,520,000)	9,565,000	1,600,000
Compensated absences	26,597	8,196	(16,392)	18,401	-
Total	\$ 151,282,038	\$ 915,128	\$ (8,436,513)	\$ 143,760,653	\$ 8,260,181

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, 2022	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
April 2011	8/1/2041	6.60%-8.54%	\$ 5,999,637	\$ 855,561	\$ -	\$ 73,600	\$ -	\$ 929,161
April 2011	8/1/2041	6.60%-8.54%	5,030,647	11,286,256	-	833,332	-	12,119,588
April 2014	8/1/2032	3.00%-5.00%	27,460,000	11,330,000	-	-	(1,345,000)	9,985,000
February 2015	8/1/2029	2.00%-5.00%	14,910,000	10,925,000	-	-	(1,035,000)	9,890,000
July 2015	8/1/2041	3.25%- 4.00%	9,100,000	475,000	-	-	-	475,000
July 2015	8/1/2040	4.00%-5.00%	29,000,000	2,060,000	-	-	(280,000)	1,780,000
March 2016	8/1/2035	2.00%-5.00%	11,940,000	11,070,000	-	-	(460,000)	10,610,000
April 2018	8/1/2042	2.00%-4.00%	30,000,000	24,980,000	-	-	(230,000)	24,750,000
September 2019	8/1/2030	1.92%-4.00%	23,000,000	19,080,000	-	-	(1,460,000)	17,620,000
August 2020	8/1/2032	1.74%-1.94%	9,260,000	9,090,000	-	-	(160,000)	8,930,000
August 2020	8/1/2040	0.34%-2.24%	14,470,000	14,150,000	-	-	(290,000)	13,860,000
May 2022	8/1/2040	3.430%	17,090,000	17,090,000	-	-	(210,000)	16,880,000
				<u>\$ 132,391,817</u>	<u>\$ -</u>	<u>\$ 906,932</u>	<u>\$ (5,470,000)</u>	<u>\$ 127,828,749</u>

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2024	\$ 5,810,000	\$ -	\$ 5,171,018	\$ 10,981,018
2025	6,395,000	-	4,915,320	11,310,320
2026	6,550,000	-	4,569,441	11,119,441
2027	7,760,000	-	4,224,096	11,984,096
2028	9,374,016	905,984	3,030,552	13,310,552
2029-2033	40,316,473	6,200,432	9,781,323	56,298,228
2034-2038	21,323,820	8,617,395	5,529,936	35,471,151
2039-2043	22,620,590	9,651,809	2,049,845	34,322,244
Total	<u>120,149,899</u>	<u>\$ 25,375,620</u>	<u>\$ 39,271,531</u>	<u>\$ 184,797,050</u>
Accretions to date	<u>7,678,850</u>			
Total	<u>\$ 127,828,749</u>			

Defeased Debt

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, 2023 was \$8,326,515 and the debt outstanding was \$7,872,280.

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, 2023 was \$11,833,321 and the debt outstanding was \$10,950,000.

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, 2023 was \$16,530,784 and the debt outstanding was \$15,599,906.

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, 2022	Issued	Redeemed	Bonds Outstanding June 30, 2023
May 2011	5/1/2026	5.14%	\$ 19,770,000	\$ 11,085,000	-	\$ (1,520,000)	\$ 9,565,000

Bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2024	\$ 1,600,000	\$ 450,521	\$ 2,050,521
2025	1,685,000	366,097	2,051,097
2026	1,775,000	277,175	2,052,175
2027	4,505,000	57,889	4,562,889
Total	\$ 9,565,000	\$ 1,151,681	\$ 10,716,681

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$18,401.

Note 9 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, 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	\$ 21,148,582	\$ 2,142,055	\$ 6,605,807	\$ 1,530,624
Medicare Premium Payment (MPP) Program	636,886	-	-	(111,079)
Total	<u>\$ 21,785,468</u>	<u>\$ 2,142,055</u>	<u>\$ 6,605,807</u>	<u>\$ 1,419,545</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
Inactive employees entitled to but not yet receiving benefits payments	-
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, 2022, the District paid \$672,044 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$21,148,582 was measured as of June 30, 2022, 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	3.54 percent
Healthcare cost trend rates	4.00 percent

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	\$ 21,923,843
Service cost	1,672,930
Interest	483,404
Experience (Gains)/Losses	(88,918)
Changes of assumptions or other inputs	(2,170,633)
Benefit payments	(672,044)
Net change in total OPEB liability	(775,261)
Balance, June 30, 2022	\$ 21,148,582

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2022 to 3.54% in 2023.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.54%)	\$ 22,777,111
Current discount rate (3.54%)	21,148,582
1% increase (4.54%)	20,056,635

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%)	\$ 18,794,674
Current healthcare cost trend rate (4.00%)	21,148,582
1% increase (5.00%)	23,793,888

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,530,624. At June 30, 2023, 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	\$ 625,003	\$ -
Differences between expected and actual experience	39,194	3,774,724
Changes of assumptions	1,477,858	2,831,083
Total	\$ 2,142,055	\$ 6,605,807

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	\$ (578,669)
2024	(578,669)
2025	(578,669)
2026	(578,669)
2027	(578,669)
Thereafter	(2,195,410)
Total	\$ (5,088,755)

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, 2021 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, 2023, the District reported a liability of \$636,886 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022 and June 30, 2021, respectively, was 0.1933%, and 0.1875%, resulting in a net increase in the proportionate share of 0.0058%.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$111,079).

Actuarial Methods and Assumptions

The total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
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, 2021, 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 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 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, 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, 2022 measurement date, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021 measurement date.

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 (2.54%)	\$ 694,328
Current discount rate (3.54%)	636,886
1% increase (4.54%)	587,148

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)	\$ 584,366
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	636,886
1% increase (5.50% Part A and 6.40% Part B)	696,419

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ 65,480	\$ 80,480
Stores inventories	375,158	-	-	-	375,158
Prepaid expenditures	478,386	-	-	-	478,386
Total nonspendable	868,544	-	-	65,480	934,024
Restricted					
Legally restricted programs	42,187,466	-	-	1,974,843	44,162,309
Food service	-	-	-	4,770,060	4,770,060
Capital projects	-	49,890,094	14,310,859	10,518,813	74,719,766
Debt services	-	-	-	14,622,923	14,622,923
Total restricted	42,187,466	49,890,094	14,310,859	31,886,639	138,275,058
Committed					
Technology, declining enrollment, cash flow and economic uncertainty	31,959,195	-	-	-	31,959,195
Total committed	31,959,195	-	-	-	31,959,195
Assigned					
Adult Education	39,749	-	-	-	39,749
Child Development Program	-	-	-	107	107
Cafeteria Program	-	-	-	233	233
Deferred Maintenance	792,354	-	-	-	792,354
Other educational programs	16,487,676	-	-	374,008	16,861,684
Total assigned	17,319,779	-	-	374,348	17,694,127
Unassigned					
Reserve for economic uncertainties	6,750,793	-	-	-	6,750,793
Remaining unassigned	8,557,261	-	-	-	8,557,261
Total unassigned	15,308,054	-	-	-	15,308,054
Total	<u>\$ 107,643,038</u>	<u>\$ 49,890,094</u>	<u>\$ 14,310,859</u>	<u>\$ 32,326,467</u>	<u>\$ 204,170,458</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, 2023, 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 2023, 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, 2023, 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	\$ 89,515,594	\$ 25,012,475	\$ 17,448,910	\$ 6,190,500
CalPERS	61,679,606	21,924,383	4,235,537	7,066,459
Total	<u>\$ 151,195,200</u>	<u>\$ 46,936,858</u>	<u>\$ 21,684,447</u>	<u>\$ 13,256,959</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, 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, 2023, 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	19.10%	19.10%
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, 2023, are presented above and the District's total contributions were \$15,875,415.

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

At June 30, 2023, 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	\$ 89,515,594
State's proportionate share of the net pension liability	<u>44,829,059</u>
Total	<u><u>\$ 134,344,653</u></u>

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.1288% and 0.1248%, resulting in a net increase in the proportionate share of 0.0040%.

For the year ended June 30, 2023, the District recognized pension expense of \$6,190,500. In addition, the District recognized pension expense and revenue of \$3,615,434 for support provided by the State. At June 30, 2023, 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	\$ 15,875,415	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,624,308	6,359,622
Differences between projected and actual earnings on pension plan investments	-	4,377,486
Differences between expected and actual experience in the measurement of the total pension liability	73,430	6,711,802
Changes of assumptions	<u>4,439,322</u>	<u>-</u>
Total	<u><u>\$ 25,012,475</u></u>	<u><u>\$ 17,448,910</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
2024	\$ (3,215,587)
2025	(3,483,545)
2026	(5,232,994)
2027	7,554,640
Total	\$ (4,377,486)

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
2024	\$ 2,357,813
2025	(1,817,738)
2026	(1,260,825)
2027	(1,437,587)
2028	(1,726,413)
Thereafter	(49,614)
Total	\$ (3,934,364)

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%. 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%)	\$ 152,030,679
Current discount rate (7.10%)	89,515,594
1% increase (8.10%)	37,609,277

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, 2021 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, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

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, 2023, are presented above and the total District contributions were \$8,624,595.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$61,679,606. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.1793% and 0.1736%, resulting in a net increase in the proportionate share of 0.0057%.

For the year ended June 30, 2023, the District recognized pension expense of \$7,066,459. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,624,595	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,175,641	2,700,870
Differences between projected and actual earnings on pension plan investments	7,282,684	-
Differences between expected and actual experience in the measurement of the total pension liability	278,756	1,534,667
Changes of assumptions	4,562,707	-
Total	\$ 21,924,383	\$ 4,235,537

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 of Resources
2024	\$ 1,214,520
2025	1,077,196
2026	550,244
2027	4,440,724
Total	\$ 7,282,684

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 282,211
2025	306,421
2026	1,202,668
2027	(9,733)
Total	\$ 1,781,567

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

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. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 89,099,315
Current discount rate (6.90%)	61,679,606
1% increase (7.90%)	39,018,225

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 \$7,191,528 (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, 2023.

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, 2023.

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, 2023, the District made payments of \$2,251,624 to San Joaquin County Schools Workers' Compensation and \$539,716 to San Joaquin County Schools Data Processing joint powers authority.



Required Supplementary Information
June 30, 2023

Tracy Unified School District

Tracy Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 144,291,029	\$ 165,698,364	\$ 167,410,047	\$ 1,711,683
Federal sources	9,558,628	24,977,235	21,061,026	(3,916,209)
Other State sources	13,590,794	20,359,708	53,274,202	32,914,494
Other local sources	5,657,016	8,851,119	12,252,819	3,401,700
Total revenues ¹	<u>173,097,467</u>	<u>219,886,426</u>	<u>253,998,094</u>	<u>34,111,668</u>
Expenditures				
Current				
Certificated salaries	77,030,752	86,461,380	89,117,152	(2,655,772)
Classified salaries	29,713,263	34,131,229	35,031,835	(900,606)
Employee benefits	44,605,049	48,091,142	48,581,553	(490,411)
Books and supplies	17,467,007	35,932,481	16,768,262	19,164,219
Services and operating expenditures	22,010,943	27,698,252	30,874,699	(3,176,447)
Other outgo	2,424,470	2,303,924	6,320,730	(4,016,806)
Capital outlay	1,591,221	2,089,874	2,540,297	(450,423)
Debt service				
Debt service - principal	-	-	-	-
Total expenditures ¹	<u>194,842,705</u>	<u>236,708,282</u>	<u>229,234,528</u>	<u>7,473,754</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(21,745,238)</u>	<u>(16,821,856)</u>	<u>24,763,566</u>	<u>41,585,422</u>
Other Financing Sources (Uses)				
Transfers in	-	341,517	2,807,835	2,466,318
Transfers out	-	-	(35,865)	(35,865)
Net financing sources (uses)	<u>-</u>	<u>341,517</u>	<u>2,771,970</u>	<u>2,430,453</u>
Net Change in Fund Balances	(21,745,238)	(16,480,339)	27,535,536	44,015,875
Fund Balance - Beginning	<u>80,107,502</u>	<u>80,107,502</u>	<u>80,107,502</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 58,362,264</u>	<u>\$ 63,627,163</u>	<u>\$ 107,643,038</u>	<u>\$ 44,015,875</u>

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

Tracy Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

Measurement Date	2023	2022	2021	2020	2019	2018
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability						
Service cost	\$ 1,672,930	\$ 2,143,894	\$ 1,707,527	\$ 1,884,786	\$ 1,834,342	\$ 1,785,248
Interest	483,404	471,209	626,091	804,894	749,658	627,805
Experience (Gain)/Losses	(88,918)	41,969	52,118	(5,455,251)	-	-
Difference between expected and actual experience	-	(56,411)	-	(44,305)	-	-
Changes of assumptions	(2,170,633)	(718,518)	1,697,335	300,787	(431,070)	-
Benefit payments	(672,044)	(666,254)	(767,193)	(720,057)	(684,766)	(658,429)
Net change in total OPEB liability	(775,261)	1,215,889	3,315,878	(3,229,146)	1,468,164	1,754,624
Total OPEB Liability - Beginning	\$ 21,923,843	20,707,954	17,392,076	20,621,222	19,153,058	17,398,434
Total OPEB Liability - Ending	\$ 21,148,582	\$ 21,923,843	\$ 20,707,954	\$ 17,392,076	\$ 20,621,222	\$ 19,153,058
Covered Payroll	N/A ¹					
Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹					

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

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

Tracy Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021	2020	No information 2019	No information 2018
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2018
Proportion of the net OPEB liability	0.1933%	0.1875%	0.1937%	0.2211%	0.0000%	0.0000%
Proportionate share of the net OPEB liability	\$ 636,886	\$ 747,965	\$ 943,816	\$ 823,322	\$ -	\$ -
Covered payroll	N/A ¹	N/A ¹				
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹				
Plan fiduciary net position as a percentage of the total OPEB liability	-0.94%	-0.80%	-0.71%	-0.81%	-0.40%	0.01%

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

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

Tracy Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalSTRS									
Proportion of the net pension liability	0.1288%	0.1248%	0.1278%	0.1250%	0.1209%	0.1256%	0.1218%	0.1397%	0.1324%
Proportionate share of the net pension liability	\$ 89,515,594	\$ 56,772,528	\$ 123,863,711	\$ 112,874,836	\$ 111,093,896	\$ 116,192,524	\$ 98,505,968	\$ 94,050,907	\$ 77,395,022
State's proportionate share of the net pension liability	44,829,059	28,565,734	63,851,758	61,580,759	63,606,451	68,738,516	56,077,690	49,742,562	46,734,456
Total	<u>\$ 134,344,653</u>	<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>	<u>\$ 154,583,658</u>	<u>\$ 143,793,469</u>	<u>\$ 124,129,478</u>
Covered payroll	<u>\$ 75,820,106</u>	<u>\$ 50,074,533</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>61,544,416</u>	<u>60,245,012</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	118.06%	113.38%	175.87%	164.37%	172.35%	175.02%	158.20%	153%	128%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%	69%	70%	74%	77%
CalPERS									
Proportion of the net pension liability	0.1793%	0.1736%	0.1808%	0.1791%	0.1765%	0.1750%	0.1772%	0.1750%	0.1826%
Proportionate share of the net pension liability	\$ 61,679,606	\$ 35,304,019	\$ 55,460,733	\$ 52,186,050	\$ 47,068,348	\$ 41,774,500	\$ 35,001,190	\$ 25,791,744	\$ 20,733,500
Covered payroll	<u>\$ 26,356,349</u>	<u>\$ 12,265,623</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>19,069,634</u>	<u>18,871,899</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	234.02%	287.83%	213.19%	207.77%	200.18%	190.17%	166.13%	135%	110%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%	72%	74%	79%	83%

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

Tracy Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS									
Contractually required contribution	\$ 15,875,415	\$ 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>15,875,415</u>	<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>								
Covered payroll	<u>\$ 83,117,356</u>	<u>\$ 75,820,106</u>	<u>\$ 50,074,533</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>19.10%</u>	<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>
CalPERS									
Contractually required contribution	\$ 8,624,595	\$ 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>8,624,595</u>	<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>								
Covered payroll	<u>\$ 33,995,250</u>	<u>\$ 26,356,349</u>	<u>\$ 12,265,623</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>25.37%</u>	<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.

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 2.16 to 3.54% 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 2.16% to 3.54% 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 the CalSTRS plans from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% percent to 6.90% percent since the previous valuation.

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, 2023

Tracy Unified School District

Tracy Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2023

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)			
Education Stabilization Fund			
COVID-19 ESSER II	84.425D	15547	\$ 931,385
COVID-19 ESSER III	84.425U	15559	8,712,239
COVID-19 ESSER III	84.425U	10155	1,107,381
COVID-19 ESSER III	84.425U	15620	1,014,763
COVID-19 ESSER III	84.425U	15621	1,749,276
COVID-19 ARP - Homeless Children and Youth II	84.425W	15566	63,418
COVID-19 Governor's Emergency Education Relief (GEER II) Fund	84.425C	15517	17,499
Subtotal			<u>13,595,961</u>
English Language Acquisition State Grants	84.365	15146	112,042
English Language Acquisition State Grants	84.365	14346	445,841
Subtotal			<u>557,883</u>
Special Education Cluster			
Special Education Grants to States	84.027	13379	1,528,509
Special Education Grants to States	84.027	10115	8,333
Special Education Grants to States	84.027	15638	1,787
Special Education Preschool Grants	84.173	13430	43,002
Total Special Education Cluster			<u>1,581,631</u>
Title I Grants to Local Educational Agencies	84.010	14329	3,978,133
Supporting Effective Instruction State Grants	84.367	14341	758,889
Career and Technical Education - Basic Grants to States	84.048	14894	163,535
Indian Education Grants to Local Education Agencies	84.060	10011	31,745
Student Support and Academic Enrichment Program	84.424	15396	393,249
Total U.S. Department of Education			<u>21,061,026</u>
U.S. Department of Health and Human Services			
Passed Through California Department of Education (CDE)			
CCDF Cluster			
Child Care and Development Block Grant	93.575	15640	20,400
Total CCDF Cluster			<u>20,400</u>
Total U.S. Department of Health and Human Services			20,400
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	4,001,107
National School Lunch Program	10.555	15655	544,789
School Breakfast Program	10.553	13526	749,702
National School Lunch Program	10.555	13391	468,307
Total Child Nutrition Cluster			<u>5,763,905</u>
Child and Adult Care Food Program	10.558	13529	455,940
Total U.S. Department of Agriculture			<u>6,219,845</u>
Total Federal Financial Assistance			<u>\$ 27,301,271</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
Olinga Alexander	Member	2026
Navi Kahlon	Member	2024

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, 2023

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,122.39	3,105.32
Fourth through sixth	2,572.97	2,551.74
Seventh and eighth	1,696.94	1,718.42
Ninth through twelfth	5,169.33	5,145.25
Total Regular ADA	<u>12,561.63</u>	<u>12,520.73</u>
Extended Year Special Education		
Transitional kindergarten through third	6.03	6.03
Fourth through sixth	5.27	5.27
Seventh and eighth	2.27	2.27
Ninth through twelfth	1.90	1.90
Total Extended Year Special Education	<u>15.47</u>	<u>15.47</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	4.89	5.25
Fourth through sixth	3.67	4.49
Seventh and eighth	6.40	6.40
Ninth through twelfth	12.67	13.16
Total Special Education, Nonpublic, Nonsectarian Schools	<u>27.63</u>	<u>29.30</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.48	0.48
Fourth through sixth	0.22	0.22
Seventh and eighth	0.84	0.84
Ninth through twelfth	0.85	0.85
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>2.39</u>	<u>2.39</u>
Community Day School		
Transitional kindergarten through third	-	-
Fourth through sixth	-	-
Seventh and eighth	2.37	1.98
Ninth through twelfth	7.68	6.28
Total Community Day School	<u>10.05</u>	<u>8.26</u>
Total ADA	<u><u>12,617.17</u></u>	<u><u>12,576.15</u></u>

Tracy Unified School District
 Schedule of Average Daily Attendance
 Year Ended June 30, 2023

**Charter School
 Nonclassroom-based ADA**

	Final Report	
	Second Period Report	Annual Report
Regular Nonclassroom-based ADA		
Transitional kindergarten through third	32.54	32.58
Fourth through sixth	33.57	34.82
Seventh and eighth	41.11	42.60
Ninth through twelfth	165.90	171.78
Total Regular ADA	273.12	281.78
Total Charter School ADA	273.12	281.78

All charter school ADA are non-classroom based ADA.

Tracy Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2023-2022 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	51,945	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,945	180	N/A	Complied
Grade 2		51,945	180	N/A	Complied
Grade 3		51,945	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,056	180	N/A	Complied
Grade 5		55,056	180	N/A	Complied
Grade 6		56,172	180	N/A	Complied
Grade 7		56,172	180	N/A	Complied
Grade 8		56,172	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 2022-2023.

Tracy Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2023

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

	General Fund (Blended)
Fund Balance	
Balance, June 30, 2023, Unaudited Actuals	\$ 99,085,777
Decrease in	
Accounts payable	8,557,261
Balance, June 30, 2023	
Audited Financial Statements	\$ 107,643,038

Tracy Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
General Fund				
Revenues	\$ 214,039,244	\$ 253,998,094	\$ 195,655,395	\$ 188,841,753
Other sources	-	2,807,835	341,517	55,901
Total Revenues and Other Sources	<u>214,039,244</u>	<u>256,805,929</u>	<u>195,996,912</u>	<u>188,897,654</u>
Expenditures	220,817,775	229,234,528	190,254,024	168,898,597
Other uses and transfers out	-	35,865	-	2,870,774
Total Expenditures and Other Uses	<u>220,817,775</u>	<u>229,270,393</u>	<u>190,254,024</u>	<u>171,769,371</u>
Increase/(Decrease) in Fund Balance	<u>(6,778,531)</u>	<u>27,535,536</u>	<u>5,742,888</u>	<u>17,128,283</u>
Ending Fund Balance	<u>\$ 100,864,507</u>	<u>\$ 107,643,038</u>	<u>\$ 80,107,502</u>	<u>\$ 74,364,614</u>
Available Reserves ²	<u>\$ 6,624,510</u>	<u>\$ 15,308,054</u>	<u>\$ 4,943,679</u>	<u>\$ 4,546,437</u>
Available Reserves as a Percentage of Total Outgo	<u>3.00%</u>	<u>6.68%</u>	<u>2.60%</u>	<u>2.65%</u>
Long-Term Liabilities	<u>\$ 308,481,140</u>	<u>\$ 316,741,321</u>	<u>\$ 266,030,393</u>	<u>\$ 357,386,672</u>
K-12 Average Daily Attendance at P-2	<u>12,584</u>	<u>12,617</u>	<u>12,665</u>	<u>13,879</u>

The General Fund balance has increased by \$33,278,424 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$6,778,531 (6.30 %). 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 2023-2024 fiscal year. Total long-term liabilities have decreased by \$40,645,351 over the past two years.

Average daily attendance has decreased by 1,262 over the past two years. The District anticipates an decline of 33 ADA during fiscal year 2023-2024.

¹ Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

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

Tracy Unified School District
Schedule of Charter Schools
Year Ended June 30, 2023

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

Tracy Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 1,408,823	\$ 1,137,190	\$ 188,497	\$ 3,017,861	\$ 8,960,939	\$ 575,672	\$ 14,622,923	\$ 29,911,905
Receivables	-	130,711	1,924	1,587,113	78,634	5,051	-	1,803,433
Due from other funds	-	6,406	-	682,227	900,248	-	-	1,588,881
Stores inventories	-	-	-	65,480	-	-	-	65,480
Total assets	\$ 1,408,823	\$ 1,274,307	\$ 190,421	\$ 5,352,681	\$ 9,939,821	\$ 580,723	\$ 14,622,923	\$ 33,369,699
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 87,690	\$ 4,420	\$ 145,721	\$ -	\$ -	\$ -	\$ 237,831
Due to other funds	-	269,857	38,970	371,187	-	-	-	680,014
Unearned revenue	-	25,000	100,387	-	-	-	-	125,387
Total liabilities	-	382,547	143,777	516,908	-	-	-	1,043,232
Fund Balances								
Nonspendable	-	-	-	65,480	-	-	-	65,480
Restricted	1,408,823	519,483	46,537	4,770,060	9,939,821	578,992	14,622,923	31,886,639
Assigned	-	372,277	107	233	-	1,731	-	374,348
Total fund balances	1,408,823	891,760	46,644	4,835,773	9,939,821	580,723	14,622,923	32,326,467
Total liabilities and fund balances	\$ 1,408,823	\$ 1,274,307	\$ 190,421	\$ 5,352,681	\$ 9,939,821	\$ 580,723	\$ 14,622,923	\$ 33,369,699

Tracy Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2023

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Revenues								
Local Control Funding Formula	\$ -	\$ 3,305,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,305,548
Federal sources	-	-	9,242	6,465,044	-	-	-	6,474,286
Other State sources	-	762,834	455,114	3,865,066	-	-	49,042	5,132,056
Other local sources	1,533,414	27,738	2,770	275,514	1,113,087	14,660	12,341,610	15,308,793
Total revenues	1,533,414	4,096,120	467,126	10,605,624	1,113,087	14,660	12,390,652	30,220,683
Expenditures								
Current								
Instruction	-	3,244,339	330,627	-	-	-	-	3,574,966
Instruction-related activities								
Supervision of instruction	-	1,980	9,587	-	-	-	-	11,567
School site administration	-	328,005	115,676	-	-	-	-	443,681
Pupil services								
Food services	-	-	-	8,559,853	-	-	-	8,559,853
All other pupil services	-	180,293	-	-	-	-	-	180,293
Administration								
All other administration	-	13,493	18,304	176,367	-	-	-	208,164
Plant services	-	6,103	2,918	157,207	-	-	-	166,228
Ancillary services	1,533,414	-	-	-	-	-	-	1,533,414
Debt service								
Principal	-	-	-	-	-	-	5,863,999	5,863,999
Interest and other	-	-	-	-	-	-	5,684,267	5,684,267
Total expenditures	1,533,414	3,774,213	477,112	8,893,427	-	-	11,548,266	26,226,432
Excess (Deficiency) of Revenues Over Expenditures	-	321,907	(9,986)	1,712,197	1,113,087	14,660	842,386	3,994,251
Other Financing Sources (Uses)								
Transfers in	-	-	-	35,865	-	-	-	35,865
Transfers out	-	(255,225)	-	-	-	-	-	(255,225)
Net Financing Sources (Uses)	-	(255,225)	-	35,865	-	-	-	(219,360)
Net Change in Fund Balances	-	66,682	(9,986)	1,748,062	1,113,087	14,660	842,386	3,774,891
Fund Balance - Beginning	1,408,823	825,078	56,630	3,087,711	8,826,734	566,063	13,780,537	28,551,576
Fund Balance - Ending	\$ 1,408,823	\$ 891,760	\$ 46,644	\$ 4,835,773	\$ 9,939,821	\$ 580,723	\$ 14,622,923	\$ 32,326,467

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, 2023. 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, 2023, the District had food commodities totaling \$69,799 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	<u>Federal Financial Assistance Listing Number</u>	<u>Amount</u>
Total Federal Revenues reported on the financial statements		\$ 27,535,312
COVID-19, Child Development		
One-time Stipend	93.575	20,400
COVID-19, Child Development		
ARP California State Preschool Program-Rate Supplements	93.575	(9,242)
National School Lunch Program	10.555	(245,199)
		<u> </u>
Total schedule of expenditures of federal awards		<u><u>\$ 27,301,271</u></u>

Local Education Agency Organization Structure

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

Schedule of 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, 2023

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tracy Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated February 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the District's response to the 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 other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Menlo Park, California
February 29, 2024



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 (District) 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 the District's major federal programs for the year ended June 30, 2023. The 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, the 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, 2023.

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 the 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 the 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 the 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 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 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 the 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 the 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 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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". The signature is written in black ink and is positioned above the printed name and date.

Menlo Park, California
February 29, 2024



Independent Auditor's Report on State Compliance

To the Governing Board
Tracy Unified School District
Tracy, California

Report on Compliance

Opinion on State Compliance

We have audited Tracy Unified School District's (the District) compliance with the requirements specified in the *2022-2023 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, 2023.

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, 2023.

Basis for Opinion

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 *2022-2023 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.

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a 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 *2022-2023 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 *2022-2023 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:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
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

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
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
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
 School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	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	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
Transitional Kindergarten	Yes
 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

Independent Study

We did not test the Independent Study program because the ADA reported was below the testing threshold.

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

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

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.

Career Technical Education Incentive Grant

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

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

Additionally, 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.

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 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.

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
February 29, 2024



Schedule of Findings and Questioned Costs
June 30, 2023

Tracy Unified School District

Financial statements

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

Federal awards

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

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Special Education Cluster (IDEA)	84.425D, 84.425U, 84.425W, 84.425C 84.027, 84.173
Dollar threshold used to distinguish between type A and type B programs	\$ 819,038
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

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

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

2023-001 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

During the review of the accounts payable detail, we noted that the prior year accounts payable were not properly reversed in the current year after being paid. An adjustment was necessary to correct the error.

Cause

The error appears to be management oversight during the fiscal year end closing review.

Effect

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

Recommendation

We recommend management strengthen the oversight of the year-end closing process to ensure financial transactions are accurately reflected in the district's financial statements.

Repeat Finding

No.

Corrective Action Plan and Views of Responsible Officials

A journal entry will be made to correctly reflect the payable in the correct year. TUSD will perform a more in-depth analysis of the year-end procedures and review accounting procedures with appropriate staff.

None reported.

None reported.

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

Financial Statement Findings

2022-001 Material Audit Adjustment (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 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.

Repeat Finding

No.

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.

Current Status

Implemented.

State Compliance Findings

2022-002 1000 – 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 ADA in question were 0.08 ADA for grade 6, 0.03 ADA for grade 7, and 0.04 for grade 8. The District has submitted the amended P2 to correct these errors. The amended P2 was submitted at the same time as submitting the District's 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.

Current Status

Implemented.

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.

Current Status

Implemented.

**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

1 ADA affected for grade 6 (or \$8,215), 2 ADA affected for grade 7 (or \$16,916), 1 ADA affected for grade 10 (or \$9,802). The District has submitted the amended P2 to correct these errors. The amended P2 was submitted at the same time as submitting the District's 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 Nonclassroom-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.

Current Status

Implemented.