EideBailly

CPAs & BUSINESS ADVISORS

December 12, 2024

To the Governing Board
Tracy Unified School District
Tracy, California

We have audited the financial statements of Tracy Unified School District (the "District") as of and for the year ended June 30, 2024, and have issued our report thereon dated December 12, 2024. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our letter dated April 11, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

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

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

4040 Campbell Ave., Ste. 200 | Menlo Park, CA 94025-1053 | T 650.522.3400 | F 650.645.7393 | EOE

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 12, 2024. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 12, 2024.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks." We have identified the following as significant risks.

- Management Override, as it relates to management bias.
- Revenue Recognition, as it relates to modified accrual basis of accounting.
- Accounting Estimates, as it relates to pension and other postemployment benefits (OPEB).

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are pension and OPEB.

Management's estimate of the liabilities and deferrals related to pension and OPEB are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the actuarial estimates related to pension and OPEB liabilities and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to the aforementioned estimates related to pension and OPEB as disclosed in footnotes 12, and 9, respectively.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

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

Understatement of Local Control Funding Formula in the general fund	$1,523,199
Understatement of revenues and expenditures Cafeteria nonmajor fund	252,884

The effect of these uncorrected misstatements, as of and for the year ended June 30, 2024 is an understatement of net change in fund balance of $1,523,199 in the general fund and related fund balance and the governmental activities net position.

Disagreements with Management

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

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2024.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

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

Eide Bailly LLP

Menlo Park, California

Financial Statements
June 30, 2024

Tracy Unified School District

Independent Auditor's Report 1

Management's Discussion and Analysis 5

Government Wide Financial Statements

Statement of Net Position 15
Statement of Activities 16

Government Fund Financial Statements

Balance Sheet – Governmental Funds 17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 21

Notes to Financial Statements 23

Required Supplementary Information

Budgetary Comparison Schedule – General Fund 65
Schedule of Changes in the District's Total OPEB Liability and Related Ratios 66
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program 67
Schedule of the District's Proportionate Share of the Net Pension Liability 68
Schedule of the District's Contributions 69
Notes to Required Supplementary Information 70

Supplementary Information

Schedule of Expenditures of Federal Awards 72
Schedule of Average Daily Attendance 73
Schedule of Instructional Time 75
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 76
Schedule of Financial Trends and Analysis 77
Schedule of Charter Schools 78
Combining Balance Sheet – Non-Major Governmental Funds 79
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds 80
Notes to Supplementary Information 81

Other Information

Local Education Agency Organization Structure 83

Independent Auditor's Reports

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* 84

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance 86

Independent Auditor's Report on State Compliance and on Internal Control Over Compliance 89

Schedule of Findings and Questioned Costs

Summary of Auditor's Results 93
Financial Statement Findings 94
Federal Awards Findings and Questioned Costs 95
State Compliance Findings and Questioned Costs 96
Summary Schedule of Prior Year Audit Findings 97

EideBailly

CPAs & BUSINESS ADVISORS

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 (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tracy Unified School District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, schedule of the District's 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*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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, 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.

Eide Bailly LLP

Menlo Park, California
December 12, 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, 2024, with comparative information for the year ended June 30, 2023. 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 $305,371,202. 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 $28.4 million or 10%.

- Total governmental fund revenues were $301.9 million. General Fund revenue accounted for $247 million or 82.0% of total revenues.

- The District had $272 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 2023-2024 school year, Tracy Unified School District's unduplicated pupil count of students was 64.62%.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $305,371,202 for the fiscal year ended June 30, 2024. Of this amount, ($83,249,481) was unrestricted deficit. 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	
	2024	2023
Assets		
Current and other assets	$ 232,250,852	$ 224,246,440
Capital assets	383,871,101	369,291,934
Total assets	616,121,953	593,538,374
Deferred outflows of resources	64,671,995	51,864,757
Liabilities		
Current liabilities	24,832,135	22,718,052
Long-term liabilities	328,904,072	316,741,321
Total liabilities	353,736,207	339,459,373
Deferred inflows of resources	21,686,539	28,993,353
Net Position		
Net investment in capital assets	269,544,896	245,251,098
Restricted	119,075,787	118,014,317
Unrestricted deficit	(83,249,481)	(86,315,010)
Total net position	$ 305,371,202	$ 276,950,405

The ($83,249,481) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 3.6% $3,065,529 when compared to ($86,315,010). 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	
	2024	2023
Revenues		
Program revenues		
Charges for services and sales	$ 1,044,575	$ 3,852,902
Operating grants and contributions	69,735,092	85,776,414
Capital grants and contributions	15,768,023	438,529
General revenues		
Federal and State aid not restricted	137,254,679	121,264,388
Property taxes	66,135,700	59,795,224
Other general revenues	10,843,112	14,888,352
Total revenues	300,781,181	286,015,809
Expenses		
Instruction-related	187,851,156	172,403,616
Pupil services	32,239,613	28,491,017
Administration	11,439,730	9,009,313
Plant services	27,780,103	21,496,494
All other services	13,049,782	9,998,123
Total expenses	272,360,384	241,398,563
Change in net position	$ 28,420,797	$ 44,617,246

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was $272,360,384. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $66,135,700 because the cost was paid by those who benefited from the programs ($1,044,575) or by other governments and organizations who subsidized certain programs with grants and contributions ($69,735,092). We paid for the remaining "public benefit" portion of our governmental activities with $137,254,679 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	
	2024	2023	2024	2023
Instruction-related	$ 187,851,156	$ 172,403,616	$ (128,727,907)	$ (104,919,850)
Pupil services	32,239,613	28,491,017	(17,461,221)	(12,121,635)
Administration	11,439,730	9,009,313	(10,422,094)	(6,581,667)
Plant services	27,780,103	21,496,494	(26,320,133)	(17,742,175)
All other services	13,049,782	9,998,123	(2,881,339)	(3,345,004)
Total	$ 272,360,384	$ 241,398,563	$ (185,812,694)	$ (144,710,331)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $209,769,840, which is an increase of $5,599,382 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2023	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2024
General	$ 107,643,038	$ 254,582,867	$ 252,973,179	$ 109,252,726
Student Activity Fund	1,408,823	2,129,569	1,884,647	1,653,745
Charter Schools	891,760	4,685,123	4,028,029	1,548,854
Child Development	46,644	877,091	701,675	222,060
Cafeteria	4,835,773	10,418,983	9,225,228	6,029,528
Building	9,939,821	1,584,815	-	11,524,636
Capital Facilities	49,890,094	3,783,907	16,787,272	36,886,729
County School Facilities	14,310,859	30,091,156	18,936,816	25,465,199
Special Reserve Fund for Capital Outlay Projects	580,723	32,044	-	612,767
Bond Interest and Redemption	14,622,923	15,199,893	13,249,220	16,573,596
Total	$ 204,170,458	$ 323,385,448	$ 317,786,066	$ 209,769,840

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 $107.6 million to $109.3 million. This increase is due to:
    a. Amounts offset by increased LCFF revenue.
    b. Increased federal funding mostly related to special education.
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 $49.9 million to $36.9 million. This decrease is due to:
    a. Facilities projects for program expansion.
3. Our Non-Major Governmental Funds increased from $32.3 million to $38.2 million primarily due to:
    a. Additional LCFF received for the charter school funds;
    b. Increased student activities in associate student body 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 11, 2024. (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 2023-24 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, 2024, the District had $383,871,101 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, depreciation, and amortization) of $14,579,167, or 3.9 %, from last year (Table 5).

Table 5

	Governmental Activities	
	2024	2023
Land and construction in progress	$ 59,380,479	$ 37,901,077
Buildings and imporvements	319,260,540	326,251,151
Furniture and equipment	3,542,830	3,474,728
Vehicles	1,687,252	1,664,978
Total	$ 383,871,101	$ 369,291,934

This year's additions of approximately $26.6 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 $328,904,072 in long-term liabilities outstanding versus $316,741,321 last year, an increase of 3.9%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2024	2023
Long-Term Liabilities		
General obligation bonds	$ 122,940,142	$ 127,828,749
Unamortized premiums	5,498,322	6,348,503
Private placement bonds - sole purchaser TSFFA (Blended CU)	7,965,000	9,565,000
Compensated absences	12,400	18,401
Total OPEB liability	19,510,693	21,785,468
Aggregate net pension liability	172,364,873	151,195,200
Total	$ 328,291,430	$ 316,741,321

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 $172,364,873 versus $151,195,200 last year, an increase of $21.2 million, or 14.0%.

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 2023-2024 ARE NOTED BELOW:

- TUSD successfully completed safety improvements at multiple sites.
- 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 2024-2025 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	3,083
Grades four through eight	24:1	4,323
Grades nine through twelve	24.5:1	5,258

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.

	Governmental Activities
Assets	
Deposits and investments	$ 217,825,285
Receivables and due from other governments	14,026,893
Stores inventories	398,674
Capital assets not depreciated	59,380,479
Capital assets, net of accumulated depreciation	324,490,622
Total assets	616,121,953
Deferred Outflows of Resources	
Deferred charge on refunding	2,530,206
Deferred outflows of resources related to OPEB	1,960,251
Deferred outflows of resources related to pensions	60,181,538
Total deferred outflows of resources	64,671,995
Liabilities	
Accounts payable and due to other governments	20,739,366
Interest payable	2,351,123
Unearned revenue	1,741,646
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	8,845,181
Long-term liabilities other than OPEB and pensions due in more than one year	127,570,683
Total other postemployment benefits liability (OPEB) due in n one year	612,642
Total other postemployment benefits liability (OPEB) due in more than one year	19,510,693
Aggregate net pension liabilities due in more than one year	172,364,873
Total liabilities	353,736,207
Deferred Inflows of Resources	
Deferred charge on refunding	577,825
Deferred inflows of resources related to OPEB	8,557,465
Deferred inflows of resources related to pensions	12,551,249
Total deferred inflows of resources	21,686,539
Net Position	
Net investment in capital assets	269,544,896
Restricted for	
Debt service	5,622,231
Capital projects	62,962,964
Educational programs	44,516,487
Food services	5,974,105
Unrestricted deficit	(83,249,481)
Total net position	$ 305,371,202

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Total Governmental Activities
Governmental Activities					
Instruction	$ 152,206,424	$ 32,098	$ 33,637,007	$ 15,768,023	$ (102,769,296)
Instruction-related activities					
Supervision of instruction	9,080,442	19,801	4,803,797	-	(4,256,844)
Instructional library, media, and technology	9,701,132	-	2,399,977	-	(7,301,155)
School site administration	16,863,158	1,343	2,461,203	-	(14,400,612)
Pupil services					
Home-to-school transportation	7,885,593	-	-	-	(7,885,593)
Food services	9,341,160	199,967	9,575,665	-	434,472
All other pupil services	15,012,860	1,332	5,001,428	-	(10,010,100)
Administration					
All other administration	11,439,730	5,066	1,012,570	-	(10,422,094)
Plant services	27,780,103	4,139	1,455,831	-	(26,320,133)
Ancillary services	4,009,089	-	2,204,616	-	(1,804,473)
Community services	271,717	-	-	-	(271,717)
Interest on long-term liabilities	5,749,849	-	-	-	(5,749,849)
Other outgo	3,019,127	780,829	7,182,998	-	4,944,700
Total governmental activities	$ 272,360,384	$ 1,044,575	$ 69,735,092	$ 15,768,023	(185,812,694)
General Revenues and Subventions					
Property taxes, levied for general purposes					52,204,835
Property taxes, levied for debt service					12,869,337
Taxes levied for other specific purposes					1,061,528
Federal and State aid not restricted to specific purposes					137,254,679
Interest and investment earnings					9,365,810
Miscellaneous					1,477,302
Total general revenues					214,233,491
Change in Net Position					28,420,797
Net Position - Beginning					276,950,405
Net Position - Ending					$ 305,371,202

Tracy Unified School District
Balance Sheet – Governmental Funds
June 30, 2024

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 110,420,722	$ 53,078,438	$ 18,101,949	$ 36,224,176	$ 217,825,285
Receivables	2,371,444	595,564	181,931	1,545,134	4,694,073
Due from other funds	6,891,329	-	14,323,133	1,258,724	22,473,186
Due from other governments	9,263,430	-	-	69,390	9,332,820
Stores inventories	343,484	-	-	55,190	398,674
Total assets	$ 129,290,409	$ 53,674,002	$ 32,607,013	$ 39,152,614	$ 254,724,038
Liabilities and Fund Balances					
Liabilities					
Accounts payable	16,707,079	$ 1,570,140	$ 935,814	104,244	$ 19,317,277
Due to other funds	389,797	15,217,133	6,206,000	660,256	22,473,186
Due to other governments	1,422,089	-	-	-	1,422,089
Unearned revenue	1,518,718	-	-	222,928	1,741,646
Total liabilities	20,037,683	16,787,273	7,141,814	987,428	44,954,198
Fund Balances					
Nonspendable	358,484	-	-	55,190	413,674
Restricted	42,078,930	36,886,729	25,465,199	37,120,930	141,551,788
Committed	27,207,723	-	-	-	27,207,723
Assigned	32,502,653	-	-	989,066	33,491,719
Unassigned	7,104,936	-	-	-	7,104,936
Total fund balances	109,252,726	36,886,729	25,465,199	38,165,186	209,769,840
Total liabilities and fund balances	$ 129,290,409	$ 53,674,002	$ 32,607,013	$ 39,152,614	$ 254,724,038

Total Fund Balance - Governmental Funds		$ 209,769,840
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 592,650,488	
Accumulated depreciation is	(208,779,387)	
Net capital assets		383,871,101
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,351,123)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)	2,530,206	
Other postemployment benefits (OPEB)	1,960,251	
Net pension liability	60,181,538	
Total deferred outflows of resources		64,671,995
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Debt refundings (deferred charge on refunding)	(577,825)	
Other postemployment benefits (OPEB)	(8,557,465)	
Net pension libility	(12,551,249)	
Total deferred inflows of resources		(21,686,539)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(172,364,873)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(18,898,051)

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	$ (122,304,900)	
Compensated absences (vacations)	(12,400)	
Bond Premium	(5,498,322)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(8,600,242)	
Total long-term liabilities		(136,415,864)
Total net position - governmental activities		$ 306,596,486

Tracy Unified School District

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

Year Ended June 30, 2024

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	$ 178,100,882	$ -	$ -	$ 4,227,386	$ 182,328,268
Federal sources	23,124,093	-	-	5,942,977	29,067,070
Other State sources	28,531,891	-	15,150,143	5,384,955	49,066,989
Other local sources	17,705,905	3,783,907	617,880	19,372,200	41,479,892
Total revenues	247,462,771	3,783,907	15,768,023	34,927,518	301,942,219
Expenditures					
Current					
Instruction	138,717,709	-	-	3,801,344	142,519,053
Instruction-related activities					
Supervision of instruction	9,134,426	-	-	46,633	9,181,059
Instructional library, media, and technology	9,511,245	-	-	-	9,511,245
School site administration	16,389,473	-	-	542,411	16,931,884
Pupil services					
Home-to-school transportation	7,519,079	-	-	-	7,519,079
Food services	361,405	-	-	8,882,691	9,244,096
All other pupil services	14,985,348	-	-	214,824	15,200,172
Administration					
All other administration	11,240,725	-	-	228,895	11,469,620
Plant services	27,071,778	-	1,657,113	166,442	28,895,333
Ancillary services	2,144,447	-	-	1,885,154	4,029,601
Community services	272,318	-	-	-	272,318
Other outgo	3,019,127	-	-	-	3,019,127
Capital Outlay	12,606,099	-	12,666,020	28,911	25,301,030
Debt service	-				
Principal	-	-	-	7,410,000	7,410,000
Interest and other	-	-	-	5,839,220	5,839,220
Total expenditures	252,973,179	-	14,323,133	29,046,525	296,342,837
Excess (Deficiency) of Revenues Over Expenditures	(5,510,408)	3,783,907	1,444,890	5,880,993	5,599,382
Other Financing Sources (Uses)					
Transfers in	7,120,096	-	14,323,133	-	21,443,229
Transfers out	-	(16,787,272)	(4,613,683)	(42,274)	(21,443,229)
Net Financing Sources (Uses)	7,120,096	(16,787,272)	9,709,450	(42,274)	-
Net Change in Fund Balances	1,609,688	(13,003,365)	11,154,340	5,838,719	5,599,382
Fund Balance - Beginning	107,643,038	49,890,094	14,310,859	32,326,467	204,170,458
Fund Balance - Ending	$ 109,252,726	$ 36,886,729	$ 25,465,199	$ 38,165,186	$ 209,769,840

Total Net Change in Fund Balances - Governmental Funds		$ 5,599,382
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay 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 expense in the Statement of Activities.		
This is the amount by which depreciation expenses differs from capital outlay in the period.		
Depreciation expense	$ (12,039,958)	
Capital outlay and adjustments	25,301,030	
Net expense adjustment		13,261,072
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(921,393)
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.		6,001
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.		1,208,205
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.		(471,329)

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.	
Deferred charge on refunding recognized	(130,364)
Premium amortization	850,181
Payment of principal (including bond defeased) on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in theStatement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	7,410,000
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.	290,947
Change in net position of governmental activities	$ 28,420,797

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 out 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 $16,133,928.

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

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070.10 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 the District (*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 of capital assets. 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, 2024.

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, 2024, 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. On June 17, 2022, the District's governing board adopted a resolution to establish and maintain a revenue stabilization reserve ("rainy day fund") in the general fund. The revenue stabilization reserve is reported in the general fund committed fund balance. Expenditure of the amounts in the revenue stabilization reserve may occur only when specific circumstances exist. The adopted resolution directs that these resources may be used to mitigate actual revenue shortfalls and declining enrollment. These circumstances are not expected to occur routinely.

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, 2024, $27,207,723 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 $119,075,787 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.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Governmental funds	$ 217,825,285

Deposits and investments as of June 30, 2024, consist of the following:

Cash on hand and in banks	$ 1,671,884
Cash with fiscal agent	1,921,022
Cash in revolving	15,000
Investments	214,217,379
Total deposits and investments	$ 217,825,285

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	$ 214,217,379	2.05

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 rated as of June 30, 2024.

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, 2024, the District's bank balance of approximately $2,153,686 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, 2024, 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	$ 7,475,322	$ -	$ -	$ 1,248,712	$ 8,724,034
State Government					
LCFF apportionment	-	-	-	19,983	19,983
Categorical aid	394,821	-	-	-	394,821
Lottery	841,111	-	-	29,429	870,540
Local Government					
Interest	1,362,651	595,564	181,931	286,034	2,426,180
Other local sources	1,560,969	-	-	30,366	1,591,335
Total	$ 11,634,874	$ 595,564	$ 181,931	$ 1,614,524	$ 14,026,893

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Transfers/ Deductions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated				
Land	$ 27,924,931	$ -	$ -	$ 27,924,931
Construction in progress	9,976,146	22,797,497	(1,318,095)	31,455,548
Total capital assets not being depreciated	37,901,077	22,797,497	(1,318,095)	59,380,479
Capital assets being depreciated				
Land improvements	22,239,769	-	-	22,239,769
Buildings and improvements	483,136,170	2,685,752	1,318,095	487,140,017
Furniture and equipment	11,787,675	744,289	-	12,531,964
Vehicles	10,966,672	391,587	-	11,358,259
Total capital assets being depreciated	528,130,286	3,821,628	1,318,095	533,270,009
Total capital assets	566,031,363	26,619,125	-	592,650,488
Accumulated depreciation				
Land improvements	(16,832,594)	(992,170)	-	(17,824,764)
Buildings and improvements	(162,292,194)	(10,002,288)	-	(172,294,482)
Furniture and equipment	(8,312,947)	(676,187)	-	(8,989,134)
Vehicles	(9,301,694)	(369,313)	-	(9,671,007)
Total accumulated depreciation	(196,739,429)	(12,039,958)	-	(208,779,387)
Governmental activities capital assets, net	$ 369,291,934	$ 14,579,167	$ -	$ 383,871,101

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

Governmental Activities	
Instruction	$ 10,980,801
Instructional library, media, and technology	245,277
Home-to-school transportation	403,993
Food services	112,467
All other administration	16,657
Plan Maintenance and Operations	280,763
Total depreciation expense governmental activities	$ 12,039,958

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, 2024, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
General fund	$ -	$ -	$ 389,797	$ 389,797
Capital facilities fund	25,073	14,323,133	868,927	15,217,133
County School Facilities fund	6,206,000	-	-	6,206,000
Non-major governmental funds	660,256	-	-	660,256
Total	$ 6,891,329	$ 14,323,133	$ 1,258,724	$ 22,473,186

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, 2024, consisted of the following:

	Transfer From		
Transfer To	General Fund	County School Facilities Fund	Total
Capital Facilities Fund	$ 2,464,139	$ 14,323,133	$ 16,787,272
County School Facilities Fund	4,613,683	-	4,613,683
Non-Major Governmental Funds	42,274	-	42,274
Total	$ 7,120,096	$ 14,323,133	$ 21,443,229

Charter School Fund transferred to the General Fund for 1% Oversight Fee.	$ 42,274
County School Facilities Fund transferred to the General Fund for construction expenditure reimbursement.	25,072
County School Facilities Fund transferred to the Deferred Maintenance Fund for construction expenditure reimbursement.	4,588,611
Capital Facilities fund transferred to the County School Facilities Fund for construction costs.	14,323,133
Capital Facilities fund transferred to the deferred maintenance fund for construction expenditure reimbursement.	2,464,139
Total	$ 21,443,229

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

Interfund Advances Between District and Blended Component Unit

As of June 30, 2024, the District has a long-term advance in the amount of $6,723,000 owed to its blended component unit, Tracy School Facilities Financing Authority (TSFFA). Additionally, $84,038 of interest is owed to its blending component unit. 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, 2024, the District repaid principal and interest in the amount of $1,600,000 and $450,520, 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 and Due to Other Governments

Accounts payable at June 30, 2024, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 15,927,715	$ 1,570,140	$ 935,814	$ 69,504	$ 18,503,173
State apportionment	998,725	-	-	-	998,725
Salaries and benefits	1,202,728	-	-	34,740	1,237,468
Total	$ 18,129,168	$ 1,570,140	$ 935,814	$ 104,244	$ 20,739,366

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2024, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 109,679	$ -	$ 109,679
State categorical aid	1,409,039	222,928	1,631,967
Total	$ 1,518,718	$ 222,928	$ 1,741,646

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, 2023	Accretion	Deductions	Balance June 30, 2024	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 127,828,749	$ 921,393	$ (5,810,000)	$ 122,940,142	$ 6,395,000
Unamortized debt premiums	6,348,503	-	(850,181)	5,498,322	850,181
Qualified School Construction Bonds (QSCB) (blended component unit)	9,565,000	-	(1,600,000)	7,965,000	1,600,000
Compensated absences	18,401	281,016	(287,017)	12,400	-
Total	$ 143,760,653	$ 1,202,409	$ (8,547,198)	$ 136,415,864	$ 8,845,181

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, 2023	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2024
April 2011	8/1/2041	6.60%-8.54%	$ 5,999,637	$ 929,161	$ 79,964	$ -	$ 1,009,125
April 2011	8/1/2041	6.60%-8.54%	5,030,647	12,119,588	841,429	-	12,961,017
April 2014	8/1/2032	3.00%-5.00%	27,460,000	9,985,000	-	(1,435,000)	8,550,000
February 2015	8/1/2029	2.00%-5.00%	14,910,000	9,890,000	-	(1,160,000)	8,730,000
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	1,780,000	-	(340,000)	1,440,000
March 2016	8/1/2035	2.00%-5.00%	11,940,000	10,610,000	-	(525,000)	10,085,000
April 2018	8/1/2042	2.00%-4.00%	30,000,000	24,750,000	-	(285,000)	24,465,000
September 2019	8/1/2030	1.92%-4.00%	23,000,000	17,620,000	-	(1,605,000)	16,015,000
August 2020	8/1/2032	1.74%-1.94%	9,260,000	8,930,000	-	(160,000)	8,770,000
August 2020	8/1/2040	0.34%-2.24%	14,470,000	13,860,000	-	(295,000)	13,565,000
May 2022	8/1/2040	3.430%	17,090,000	16,880,000	-	(5,000)	16,875,000
				$ 127,828,749	$ 921,393	$ (5,810,000)	$ 122,940,142

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2025	$ 6,395,000	$ -	$ 5,171,018	$ 11,566,018
2026	6,550,000	-	4,915,320	11,465,320
2027	7,760,000	-	4,569,441	12,329,441
2028	8,739,016	-	4,224,096	12,963,112
2029	9,174,705	905,984	3,030,552	13,111,241
2030-2034	32,916,488	6,200,432	9,781,323	48,898,243
2034-2039	23,073,334	8,617,395	5,529,936	37,220,665
2040-2043	19,731,357	9,651,809	2,049,845	31,433,011
Total	114,339,900	$ 25,375,620	$ 39,271,531	$ 178,987,051
Accretions to date	8,600,242			
Total	$ 122,940,142			

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 debt was fully paid off as of August 2023.

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, 2024 was $11,779,709 and the debt outstanding was $10,384,000.

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 $16,304,688 and the debt outstanding was $15,487,462.

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, 2023	Issued	Redeemed	Bonds Outstanding June 30, 2024
May 2011	5/1/2026	5.14%	$ 19,770,000	$ 9,565,000	-	$ (1,600,000)	$ 7,965,000

Bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	$ 7,965,000	$ 701,160	$ 8,666,160

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2024, amounted to $12,400.

Note 9 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2024, 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 (Credit)
District Plan	$ 19,526,428	$ 1,960,251	$ 8,557,465	$ 1,083,971
Medicare Premium Payment (MPP) Program	596,907	-	-	(39,979)
Total	$ 20,123,335	$ 1,960,251	$ 8,557,465	$ 1,043,992

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, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	74
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	1,442
Total	1,516

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. The District pays for premiums for medical, dental and vision until age 65 to certificated, classified and management and confidential with 10 years of service until a certain cap is reached.

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. In the current year, the District contributed $612,642.

Total OPEB Liability of the District

The District's total OPEB liability of $19,526,428 was measured as of June 30, 2023, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 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	3.65	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 2021 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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2023	$ 21,148,582
Service cost	1,401,086
Interest	758,536
Experience (Gains)/Losses	(2,494,250)
Changes of assumptions or other inputs	(444,439)
Benefit payments	(843,087)
Net change in total OPEB liability	(1,622,154)
Balance, June 30, 2024	$ 19,526,428

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2023 to 3.65% in 2024.

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 (2.65%)	$ 20,856,869
Current discount rate (3.65%)	19,526,428
1% increase (4.65%)	18,256,279

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%)	$ 17,454,241
Current healthcare cost trend rate (4.00%)	19,526,428
1% increase (5.00%)	21,937,075

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

For the year ended June 30, 2024, the District recognized OPEB expense of $1,083,971. At June 30, 2024, 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	$ 612,642	$ -
Differences between expected and actual experience	34,886	5,602,769
Changes of assumptions	1,312,723	2,954,696
Total	$ 1,960,251	$ 8,557,465

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
2025	$ (817,588)
2026	(817,588)
2027	(817,588)
2028	(817,588)
2029	(817,588)
Thereafter	(3,121,916)
Total	$ (7,209,856)

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, 2022 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, 2024, 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, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. 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, 2023 and June 30, 2022, respectively, was 0.1967%, and 0.1933%, resulting in a net increase in the proportionate share of 0.0034%.

For the year ended June 30, 2024, the District recognized OPEB expense (credit) of ($39,979).

Actuarial Methods and Assumptions

The total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
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, 2022, 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 179 or an average of 0.13%of the potentially eligible population (138,780).

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, 2023, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2024.

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 (2.65%)	$ 648,715
Current discount rate (3.65%)	596,907
1% increase (4.65%)	551,859

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)	$ 549,213
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	596,907
1% increase (5.50% Part A and 6.40% Part B)	650,751

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	$ -	$ -	$ 55,190	$ 70,190
Stores inventories	343,484	-	-	-	343,484
Total nonspendable	358,484	-	-	55,190	413,674
Restricted					
Legally restricted programs	42,078,930	-	-	2,437,557	44,516,487
Food service	-	-	-	5,974,105	5,974,105
Capital projects	-	36,886,729	25,465,199	12,135,672	74,487,600
Debt services	-	-	-	16,573,596	16,573,596
Total restricted	42,078,930	36,886,729	25,465,199	37,120,930	141,551,788
Committed					
Technology, declining enrollment, cash flow and economic uncertainty	27,207,723	-	-	-	27,207,723
Total committed	27,207,723	-	-	-	27,207,723
Assigned					
Adult Education	74,710	-	-	-	74,710
Child Development Program	-	-	-	107	107
Cafeteria Program	-	-	-	233	233
Deferred Mantenance	4,317,049	-	-	-	4,317,049
Other educational programs	28,110,894	-	-	988,726	29,099,620
Total assigned	32,502,653	-	-	989,066	33,491,719
Unassigned					
Reserve for economic uncertainties	7,104,936	-	-	-	7,104,936
Total unassigned	7,104,936	-	-	-	7,104,936
Total	$ 109,252,726	$ 36,886,729	$ 25,465,199	$ 38,165,186	$ 209,769,840

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, 2024, 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 2024, the District participated in the San Joaquin County School Workers' Compensation (SJSWC), an insurance purchasing pool. The intent of the SJCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SJCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SJCSWC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the SJCSWC. Coverage provided by SJCSWC, SAFER, and NorCal Relief for property and liability and workers' compensation is as follows:

Insurance Program	Type of Coverage	Limits
San Joaquin County Schools Workers' Compensation	Workers' Compensation	$1,000,000
SAFER	Excess Liability	$1,000,000 - $25,000,000
NorCal Relief	Liability	$1,000,000
NorCal Relief	Auto	$1,000,000
NorCal Relief	Property	$250,000-$7,500,000

Employee Medical Benefits

The District has contracted with the Central Valley Schools Health and Welfare Trusts to provide employee medical 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, 2024, 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	$ 101,289,536	$ 32,086,281	$ 10,184,260	$ 14,207,115
CalPERS	71,075,337	28,095,257	2,366,989	11,630,650
Total	$ 172,364,873	$ 60,181,538	$ 12,551,249	$ 25,837,765

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, 2022, 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, 2024, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

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, 2024, are presented above and the District's total contributions were $16,771,629.

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

At June 30, 2024, 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	$ 101,289,536
State's proportionate share of the net pension liability	48,530,665
Total	$ 149,820,201

The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, 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, 2024, the District recognized pension expense of $14,207,115. In addition, the District recognized pension expense and revenue of $6,601,511 for support provided by the State. At June 30, 2024, 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	$ 16,771,629	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,334,899	4,764,756
Differences between projected and actual earnings on pension plan investments	433,561	-
Differences between expected and actual experience in the measurement of the total pension liability	7,959,689	5,419,504
Changes of assumptions	586,503	-
Total	$ 32,086,281	$ 10,184,260

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
2025	$ (3,186,646)
2026	(4,994,034)
2027	8,206,947
2028	407,294
Total	$ 433,561

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
2025	$ (3,608)
2026	555,906
2027	389,911
2028	100,349
2028	1,797,347
Thereafter	1,856,926
Total	$ 4,696,831

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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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 expected 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

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%)	$ 169,905,113
Current discount rate (7.10%)	101,289,536
1% increase (8.10%)	44,296,301

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, 2022 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, 2024, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	26.680%	26.680%

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, 2024, are presented above and the total District contributions were $10,274,341.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $71,075,337. The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively was 0.1963% and 0.1793%, resulting in a net increase in the proportionate share of 0.0170%.

For the year ended June 30, 2024, the District recognized pension expense of $11,630,650. At June 30, 2024, 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	$ 10,274,341	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,360,902	1,275,376
Differences between projected and actual earnings on pension plan investments	7,591,862	-
Differences between expected and actual experience in the measurement of the total pension liability	2,593,740	1,091,613
Changes of assumptions	3,274,412	-
Total	$ 28,095,257	$ 2,366,989

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
2025	$ 1,416,178
2026	838,980
2027	5,100,439
2028	236,265
Total	$ 7,591,862

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
2025	$ 2,602,773
2026	3,498,514
2027	1,760,778
2028	-
Total	$ 7,862,065

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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.54%
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:

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 102,756,565
Current discount rate (6.90%)	71,075,337
1% increase (7.90%)	44,891,523

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $7,762,549 (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, 2024.

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, 2024.

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, 2024, the District made payments of $2,391,169 to San Joaquin County Schools Workers' Compensation and $575,864 to San Joaquin County Schools Data Processing joint powers authority.

Required Supplementary Information
June 30, 2024

Tracy Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 175,038,930	$ 165,698,364	$ 166,914,368	$ 1,216,004
Federal sources	11,209,723	24,977,235	23,124,093	(1,853,142)
Other State sources	19,546,651	19,307,837	27,327,801	8,019,964
Other local sources	8,243,940	8,741,843	17,153,587	8,411,744
Total revenues	214,039,244	218,725,279	234,519,849	15,794,570
Expenditures				
Current				
Certificated salaries	85,977,124	85,936,694	92,241,484	(6,304,790)
Classified salaries	35,900,409	33,922,470	37,567,464	(3,644,994)
Employee benefits	49,868,146	47,824,584	51,311,220	(3,486,636)
Books and supplies	19,648,742	35,314,570	11,133,184	24,181,386
Services and operating expenditures	23,787,664	26,708,383	39,864,442	(13,156,059)
Other outgo	2,391,361	2,260,308	2,800,498	(540,190)
Capital outlay	3,244,329	1,655,626	1,912,925	(257,299)
Total expenditures	220,817,775	233,622,635	236,831,217	(3,208,582)
Excess (Deficiency) of Revenues Over Expenditures	(6,778,531)	(14,897,356)	(2,311,368)	12,585,988
Other Financing Sources (Uses)				
Transfers in	-	-	67,346	67,346
Net Change in Fund Balances	(6,778,531)	(14,897,356)	(2,244,022)	12,653,334
Fund Balance - Beginning	95,362,820	95,362,820	95,362,820	-
Fund Balance - Ending	$ 88,584,289	$ 80,465,464	93,118,798	$ (68,932,755)
Adult Education Fund Balance			284,170	
Deferred Maintenance Fund Balance			4,317,049	
Special Reserve Fund Balance			11,532,709	
			$ 109,252,726	

Tracy Unified School District

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

Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service cost	$ 1,401,086	$ 1,672,930	$ 2,143,894	$ 1,707,527	$ 1,884,786	$ 1,834,342	$ 1,785,248
Interest	758,536	483,404	471,209	626,091	804,894	749,658	627,805
Experience (Gain)/Losses	(2,494,250)	(88,918)	41,969	52,118	(5,455,251)	-	-
Difference between expected and actual experience	-	-	(56,411)	-	(44,305)	-	-
Changes of assumptions	(444,439)	(2,170,633)	(718,518)	1,697,335	300,787	(431,070)	-
Benefit payments	(843,087)	(672,044)	(666,254)	(767,193)	(720,057)	(684,766)	(658,429)
Net change in total OPEB liability	(1,622,154)	(775,261)	1,215,889	3,315,878	(3,229,146)	1,468,164	1,754,624
Total OPEB Liability - Beginning	$ 21,148,582	$ 21,923,843	20,707,954	17,392,076	20,621,222	19,153,058	17,398,434
Total OPEB Liability - Ending	$ 19,526,428	$ 21,148,582	$ 21,923,843	$ 20,707,954	$ 17,392,076	$ 20,621,222	$ 19,153,058
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]

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

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

Tracy Unified School District

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

Year Ended June 30, 2024

Year ended June 30,	2024	2023	2022	2021	2020	No information 2019	No information 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2018
Proportion of the net OPEB liability	0.1967%	0.1933%	0.1875%	0.1937%	0.2211%	0.0000%	0.0000%
Proportionate share of the net OPEB liability	$ 596,907	$ 636,886	$ 747,965	$ 943,816	$ 823,322	$ -	$ -
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.96%	-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, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2022	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	0.1330%	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	$ 101,289,536	$ 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	48,530,665	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	$ 149,820,201	$ 134,344,653	$ 85,338,262	$ 187,715,469	$ 174,455,595	$ 174,700,347	$ 184,931,040	$ 154,583,658	$ 143,793,469	$ 124,129,478
Covered payroll	$ 83,117,356	$ 75,820,106	$ 50,074,533	$ 70,429,854	$ 68,669,361	$ 64,459,751	$ 66,386,471	$ 62,268,136	61,544,416	60,245,012
Proportionate share of the net pension liability as a percentage of its covered payroll	121.86%	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%	81%	87%	72%	73%	71%	69%	70%	74%	77%
CalPERS										
Proportion of the net pension liability	0.1963%	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	$ 71,075,337	$ 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	$ 33,995,250	$ 26,356,349	$ 12,265,623	$ 26,014,467	$ 25,117,246	$ 23,513,476	$ 21,966,871	$ 21,068,524	19,069,634	18,871,899
Proportionate share of the net pension liability as a percentage of its covered payroll	209.07%	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%	70%	81%	70%	70%	71%	72%	74%	79%	83%

See Notes to Required Supplementary Information

Tracy Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS										
Contractually required contribution	$ 16,771,629	$ 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	16,771,629	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 87,809,576	$ 83,117,356	$ 75,820,106	$ 50,074,533	$ 70,429,854	$ 68,669,361	$ 64,459,751	$ 66,386,471	$ 62,268,136	$ 60,274,471
Contributions as a percentage of covered payroll	19.10%	19.10%	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS										
Contractually required contribution	$ 10,274,341	$ 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	10,274,341	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 38,509,524	$ 33,995,250	$ 26,356,349	$ 12,265,623	$ 26,014,467	$ 25,117,246	$ 23,513,476	$ 21,966,871	$ 21,068,524	$ 19,354,226
Contributions as a percentage of covered payroll	26.68%	25.37%	22.91%	20.700%	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

See Notes to Required Supplementary Information

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2024, the District's general fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
General Fund	$ 233,622,635	$ 236,831,217	$ 3,208,582

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate assumption changed from 3.54% to 3.65% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.54% to 3.65% 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 or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

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

Supplementary Information
June 30, 2024

Tracy Unified School District

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	$ 1,533,050
COVID-19 ESSER III	84.425U	15559	8,439,174
COVID-19 ESSER III	84.425U	10155	3,181,715
COVID-19 ESSER III	84.425U	15621	5,164
COVID-19 ARP - Homeless Children and Youth II	84.425W	15566	37,300
Subtotal			13,196,403
English Language Acquisition State Grants	84.365	15146	100,038
English Language Acquisition State Grants	84.365	14346	597,356
Subtotal			697,394
Special Education Cluster			
Special Education Grants to States	84.027	13379	3,289,080
Special Education Grants to States	84.027	10115	6,939
Special Education Grants to States	84.027	10169	2
Special Education Grants to States	84.027	15197	164,620
Special Education Preschool Grants	84.173	13430	48,353
Total Special Education Cluster			3,508,994
Title I Grants to Local Educational Agencies	84.010	14329	4,357,856
Title I Grants to Local Educational Agencies	84.010	15438	346,292
Subtotal			4,704,148
Supporting Effective Instruction State Grants	84.367	14341	554,963
Career and Technical Education - Basic Grants to States	84.048	14894	159,976
Indian Education Grants to Local Education Agencies	84.060	10011	28,215
Student Support and Academic Enrichment Program	84.424	15396	274,000
Total U.S. Department of Education			23,124,093
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	4,234,842
National School Lunch Program	10.555	15655	398,434
School Breakfast Program	10.553	13568	27,443
School Breakfast Program	10.553	13526	690,499
Total Child Nutrition Cluster			5,351,218
Child and Adult Care Food Program	10.558	13529	591,759
Total U.S. Department of Agriculture			5,942,977
Total Federal Financial Assistance			$ 29,067,070

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,098.20	3,131.66
Fourth through sixth	2,512.15	2,512.80
Seventh and eighth	1,741.97	1,738.60
Ninth through twelfth	5,128.76	5,107.34
Total Regular ADA	12,481.08	12,490.40
Extended Year Special Education		
Transitional kindergarten through third	3.81	3.81
Fourth through sixth	3.85	3.85
Seventh and eighth	0.97	0.97
Ninth through twelfth	1.88	1.88
Total Extended Year Special Education	10.51	10.51
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	7.20	8.92
Fourth through sixth	4.33	6.38
Seventh and eighth	3.31	3.09
Ninth through twelfth	13.23	13.86
Total Special Education, Nonpublic, Nonsectarian Schools	28.07	32.25
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.62	0.62
Fourth through sixth	0.31	0.31
Seventh and eighth	0.15	0.15
Ninth through twelfth	0.09	0.09
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.17	1.17
Community Day School		
Transitional kindergarten through third	-	-
Fourth through sixth	-	-
Seventh and eighth	1.67	1.90
Ninth through twelfth	3.38	3.03
Total Community Day School	5.05	4.93
Total ADA	12,525.88	12,539.26

Charter School
Nonclassrom-based ADA

	Final Report	
	Second Period Report	Annual Report
Regular Nonclassroom-based ADA		
Transitional kindergarten through third	25.77	25.62
Fourth through sixth	30.53	31.31
Seventh and eighth	42.97	44.96
Ninth through twelfth	201.99	211.38
Total Regular ADA	301.26	313.27
Total Charter School ADA	301.26	313.27

All charter school ADA are non-classroom based ADA.

Grade Level	1986-1987 Minutes Requirement	2024-2023 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	52,331	180	N/A	In compliance
Grades 1 - 3	50,400				
Grade 1		52,337	180	N/A	In compliance
Grade 2		52,337	180	N/A	In compliance
Grade 3		52,337	180	N/A	In compliance
Grades 4 - 8	54,000				
Grade 4		55,588	180	N/A	In compliance
Grade 5		55,588	180	N/A	In compliance
Grade 6		57,590	180	N/A	In compliance
Grade 7		57,590	180	N/A	In compliance
Grade 8		57,590	180	N/A	In compliance
Grades 9 - 12	64,800				
Grade 9		65,985	180	N/A	In compliance
Grade 10		65,985	180	N/A	In compliance
Grade 11		65,985	180	N/A	In compliance
Grade 12		65,985	180	N/A	In compliance

The District did not file J-13A during fiscal year 2023-2024.

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

	General Fund	Adult Education Fund
Fund Balance		
Balance, June 30, 2024, Unaudited Actuals	$ 93,118,798	$ 284,170
The Adult Education, Deferred Maintenance, and Fund for Other Than Capital Outlay Projects are consolidated with the General Fund in the Financial Statements	$ 16,133,928	$ (284,170)
Balance, June 30, 2024, Audited Financial Statements	$ 109,252,726	$ -

	Deferred Maintenance Fund	Fund for Other Than Capital Outlay Projects
Fund Balance		
Balance, June 30, 2024, Unaudited Actuals	$ 4,317,049	$ 11,532,709
The Adult Education, Deferred Maintenance, and Fund for Other Than Capital Outlay Projects are consolidated with the General Fund in the Financial Statements	(4,317,049)	(11,532,709)
Balance, June 30, 2024, Audited Financial Statements	$ -	$ -

	(Budget) 2025 [1]	2024	2023 [1]	2022 [1]
General Fund				
Revenues	$ 216,714,944	$ 247,462,771	$ 253,998,094	$ 195,655,395
Other sources	-	7,120,096	2,807,835	341,517
Total Revenues and Other Sources	216,714,944	254,582,867	256,805,929	195,996,912
Expenditures	225,876,465	252,973,179	229,234,528	190,254,024
Other uses and transfers out	-	-	35,865	-
Total Expenditures and Other Uses	225,876,465	252,973,179	229,270,393	190,254,024
Increase/(Decrease) in Fund Balance	(9,161,521)	1,609,688	27,535,536	5,742,888
Ending Fund Balance	$ 100,091,205	$ 109,252,726	$ 107,643,038	$ 80,107,502
Available Reserves [2]	$ 6,776,294	$ 7,104,936	$ 15,308,054	$ 4,943,679
Available Reserves as a Percentage of Total Outgo	3.00%	2.81%	6.68%	2.60%
Long-Term Liabilities	$ 319,446,249	$ 328,291,430	$ 316,741,321	$ 266,030,393
K-12 Average Daily Attendance at P-2	12,381	12,526	12,617	12,665

The General Fund balance has increased by $29,145,224 over the past two years. The fiscal year 2024-2025 budget projects a decrease of $9,161,521 (8.39 %). 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 2024-2025 fiscal year. Total long-term liabilities have increased by $62,873,679 over the past two years.

Average daily attendance has decreased by 139 over the past two years. The District anticipates a decline of 139 ADA during fiscal year 2024-2025.

[1] Financial information for 2025, 2023, and 2022 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.

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

	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	$ 1,653,745	$ 1,693,348	$ 458,811	$ 5,049,201	$ 10,347,642	$ 605,968	$ 16,415,461	$ 36,224,176
Receivables	-	16,039	5,634	1,243,061	115,466	6,799	158,135	1,545,134
Due from other funds	-	197,196	-	-	1,061,528	-	-	1,258,724
Due from other governments	-	69,390	-	-	-	-	-	69,390
Stores inventories	-	-	-	55,190	-	-	-	55,190
Total assets	$ 1,653,745	$ 1,975,973	$ 464,445	$ 6,347,452	$ 11,524,636	$ 612,767	$ 16,573,596	$ 39,152,614
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ -	$ 26,628	$ 9,347	$ 68,269	$ -	$ -	$ -	$ 104,244
Due to other funds	-	375,491	35,110	249,655	-	-	-	660,256
Unearned revenue	-	25,000	197,928	-	-	-	-	222,928
Total liabilities	-	427,119	242,385	317,924	-	-	-	987,428
Fund Balances								
Nonspendable	-	-	-	55,190	-	-	-	55,190
Restricted	1,653,745	561,859	221,953	5,974,105	11,524,636	611,036	16,573,596	37,120,930
Assigned	-	986,995	107	233	-	1,731	-	989,066
Total fund balances	1,653,745	1,548,854	222,060	6,029,528	11,524,636	612,767	16,573,596	38,165,186
Total liabilities and fund balances	$ 1,653,745	$ 1,975,973	$ 464,445	$ 6,347,452	$ 11,524,636	$ 612,767	$ 16,573,596	$ 39,152,614

Tracy Unified School District

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

Year Ended June 30, 2024

	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	$ -	$ 4,227,386	$ -	$ -	$ -	$ -	$ -	$ 4,227,386
Federal sources	-	-	-	5,942,977	-	-	-	5,942,977
Other State sources	-	394,564	858,147	4,082,346	-	-	49,898	5,384,955
Other local sources	2,129,569	63,173	18,944	393,660	1,584,815	32,044	15,149,995	19,372,200
Total revenues	2,129,569	4,685,123	877,091	10,418,983	1,584,815	32,044	15,199,893	34,927,518
Expenditures								
Current								
Instruction	-	3,259,778	541,566	-	-	-	-	3,801,344
Instruction-related activities								
Supervision of instruction	-	398	46,235	-	-	-	-	46,633
School site administration	-	459,340	83,071	-	-	-	-	542,411
Food services	-	-	-	8,882,691	-	-	-	8,882,691
All other pupil services	-	214,824	-	-	-	-	-	214,824
Administration								
All other administration	-	19,315	26,828	182,752	-	-	-	228,895
Plant services	-	2,682	3,975	159,785	-	-	-	166,442
Ancillary services	1,884,647	507	-	-	-	-	-	1,885,154
Facility acquisition and construction	-	28,911	-	-	-	-	-	28,911
Debt service								
Principal	-	-	-	-	-	-	7,410,000	7,410,000
Interest and other	-	-	-	-	-	-	5,839,220	5,839,220
Total expenditures	1,884,647	3,985,755	701,675	9,225,228	-	-	13,249,220	29,046,525
Excess (Deficiency) of Revenues Over Expenditures	244,922	699,368	175,416	1,193,755	1,584,815	32,044	1,950,673	5,880,993
Other Financing Sources (Uses)								
Transfers out	-	(42,274)	-	-	-	-	-	(42,274)
Net Financing Sources (Uses)	-	(42,274)	-	-	-	-	-	(42,274)
Net Change in Fund Balances	244,922	657,094	175,416	1,193,755	1,584,815	32,044	1,950,673	5,838,719
Fund Balance - Beginning	1,408,823	891,760	46,644	4,835,773	9,939,821	580,723	14,622,923	32,326,467
Fund Balance - Ending	$ 1,653,745	$ 1,548,854	$ 222,060	$ 6,029,528	$ 11,524,636	$ 612,767	$ 16,573,596	$ 38,165,186

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 (District) under programs of the federal government for the year ended June 30, 2024. 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.

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.

Other Information
June 30, 2024

Tracy Unified School District

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. As of June 30, 2024 the governing board and administration were as follows:

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
Lori Nelson	Director of Financial Services

Independent Auditor's Reports
June 30, 2024

Tracy Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 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.

4040 Campbell Ave., Ste. 200 | Menlo Park, CA 94025-1053 | T 650.522.3400 | F 650.645.7393 | EOE

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
December 12, 2024

EideBailly

CPAs & BUSINESS ADVISORS

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 (the 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, 2024. 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, 2024.

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.

Eide Bailly LLP

Menlo Park, California
December 12, 2024

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance and on Internal Control Over 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 *2023-2024 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, 2024.

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, 2024.

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 *2023-2024 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 *2023-2024 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 *2023-2024 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 *2023-2024 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:

2023-2024 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
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	N/A
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	N/A
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	N/A
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform testing for Independent Study because average daily attendance reported did not exceed thresholds for testing.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Ede Bailly LLP

Menlo Park, California
December 12, 2024

Schedule of Findings and Questioned Costs
June 30, 2024

Tracy Unified School District

Financial statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
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)	84.425D, 84.425U, 84.425W
Child Nutrition Cluster	10.553, 10.555

Dollar threshold used to distinguish between type A and type B programs	$872,012
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

None reported.

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

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.

Recommendation
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.

Current Status
Implemented.