



CITY OF TRACY TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2024

INDEPENDENT AUDITORS' REPORT,
FUND FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
AND COMPLIANCE REPORT

Focused
on YOU



**CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes
and Transit Enterprise Fund**

**Independent Auditors' Reports, Fund Financial Statements,
Required Supplementary Information,
and Compliance Report**

For the Year Ended June 30, 2024

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes
and Transit Enterprise Fund

Independent Auditors' Reports, Fund Financial Statements,
Required Supplementary Information,
and Compliance Report

For the Year Ended June 30, 2024

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CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes
and Transit Enterprise Fund

Independent Auditors' Reports, Fund Financial Statements,
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For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund (the "Funds") of the City of Tracy, California, (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Funds basic financial statements, of the City, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds of the City, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City 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.

Emphasis of Matter

As described in Note 1 to the financial statements, these financial statements present only the Funds and do not purport to, and do not, present fairly the financial statements of the City as a whole, as of June 30, 2024, and the changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

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.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

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 generally accepted auditing standards 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 generally accepted auditing standards 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 City's internal control, as it relates to the Funds. 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.

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 budgetary comparison information, and required pension and other postemployment benefits schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

Summarized Comparative Information

We have previously audited the Funds' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2024. In our opinion, the summarized comparative information presented herein as of the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' 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 Funds' internal control over financial reporting and compliance.

LSL, LLP

Sacramento, California
June 10, 2025

CITY OF TRACY, CALIFORNIA
Transportation Development Act and Measure K Funds
Non-Transit Purposes
Balance Sheet
June 30, 2024, with Comparative Totals

	Transportation Development Act Fund	Measure K Fund	Totals	
			2024	2023
Assets:				
Cash and investments	\$ -	\$ 10,078,191	\$ 10,078,191	\$ 8,415,553
Interest receivable	-	26,192	26,192	55,520
Due from other funds	-	20,000	20,000	20,000
Due from other agencies - local	133,895	524,125	658,020	684,545
Total Assets	\$ 133,895	\$ 10,648,508	\$ 10,782,403	\$ 9,175,618
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 56,387	\$ 38,418	\$ 94,805	\$ 82,120
Accrued liabilities	-	-	-	4,193
Due to other funds	178,227	-	178,227	152,265
Total Liabilities	234,614	38,418	273,032	238,578
Fund Balance (deficit):				
Restricted	-	10,610,090	10,610,090	8,991,671
Unassigned (deficit)	(100,719)	-	(100,719)	(54,631)
Total Fund Balances (deficit)	(100,719)	10,610,090	10,509,371	8,937,040
Total Liabilities and Fund Balances	\$ 133,895	\$ 10,648,508	\$ 10,782,403	\$ 9,175,618

CITY OF TRACY, CALIFORNIA
Transportation Development Act and Measure K Funds
Non-Transit Purposes
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2024, with Comparative Totals

	Transportation Development Act Fund	Measure K Fund	Totals	
			2024	2023
Revenues:				
Local Transportation Fund:				
Pedestrian and bicycle	\$ 133,895	\$ -	\$ 133,895	\$ 142,193
Measure K Fund:				
Local street repair	-	2,245,394	2,245,394	2,190,639
Smart growth	-	-	-	10,848
Investment earnings	-	325,586	325,586	47,267
Total Revenues	133,895	2,570,980	2,704,875	2,390,947
Expenditures:				
Transportation Operations	173,902	70,007	243,909	-
Capital outlay	3,495	881,681	885,176	675,469
Total Expenditures	177,397	951,688	1,129,085	675,469
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,502)	1,619,292	1,575,790	1,715,478
Other Financing Sources:				
Transfers out	(2,586)	(873)	(3,459)	-
Total Other Financing Sources	(2,586)	(873)	(3,459)	-
Net Change in Fund Balances	(46,088)	1,618,419	1,572,331	1,715,478
Fund Balances, Beginning of Year, as previously reported	(54,631)	8,991,671	8,937,040	7,221,562
Fund Balances, End of Year (deficit)	\$ (100,719)	\$ 10,610,090	\$ 10,509,371	\$ 8,937,040

CITY OF TRACY, CALIFORNIA
Transit Enterprise Fund
Statement of Net Position
June 30, 2024, with Comparative Totals

	<u>2024</u>	<u>2023</u>
Assets:		
Current Assets:		
Cash and investments	\$ 9,241,579	\$ 1,187,545
Due from other agencies	9,588,516	8,767,161
Total Current Assets	<u>18,830,095</u>	<u>9,954,706</u>
Noncurrent Assets:		
Capital assets, not being depreciated	1,726,496	1,678,154
Capital assets, being depreciated	10,226,876	11,341,376
Total Noncurrent Assets	<u>11,953,372</u>	<u>13,019,530</u>
Total Assets	<u>30,783,467</u>	<u>22,974,236</u>
Deferred Outflows of Resources:		
Related to pensions	223,828	242,588
Related to OPEB	12,460	7,324
Total Deferred Outflows of Resources	<u>236,288</u>	<u>249,912</u>
Liabilities:		
Current Liabilities:		
Accounts payable	699,855	392,790
Accrued liabilities	-	27,652
Compensated absences	15,914	16,035
Unearned revenues	40,326	75,822
Total Current Liabilities	<u>756,095</u>	<u>512,299</u>
Noncurrent Liabilities:		
Compensated absences	20,395	24,034
Net pension liability	609,587	611,284
Total OPEB liability	58,607	50,317
Total Noncurrent Liabilities	<u>688,589</u>	<u>685,635</u>
Total Liabilities	<u>1,444,684</u>	<u>1,197,934</u>
Deferred Inflows of Resources:		
Related to pensions	2,046	4,558
Related to OPEB	17,045	19,556
Total Deferred Inflows of Resources	<u>19,091</u>	<u>24,114</u>
Net Position:		
Invested in capital assets	11,953,372	13,019,530
Restricted net position	17,602,608	8,982,570
Total Net Position	<u>\$ 29,555,980</u>	<u>\$ 22,002,100</u>

CITY OF TRACY, CALIFORNIA
Transit Enterprise Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024, with Comparative Totals

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Fares and other fees	\$ 74,876	\$ 74,801
Total Operating Revenues	<u>74,876</u>	<u>74,801</u>
Operating Expenses:		
Administration	15,194	519,851
Transportation operations	5,826,994	5,622,087
Depreciation	1,175,014	1,177,851
Total Operating Expenses	<u>7,017,202</u>	<u>7,319,789</u>
Operating Loss	<u>(6,942,326)</u>	<u>(7,244,988)</u>
Nonoperating Revenues:		
Local transportation funds	11,483,286	6,732,085
State Transit Assistance	17,178	16,368
Federal Transit Administration funds - operating	3,112,627	2,646,539
Low Carbon Transit Operations Program	111,180	52,129
Interest	91,315	(8,035)
Other income	44,194	5,376
Total Nonoperating Revenues	<u>14,859,780</u>	<u>9,444,462</u>
Income (Loss) before Transfers	7,917,454	2,199,474
Transfers out	<u>(363,574)</u>	<u>(175,377)</u>
Change in Net Position	7,553,880	2,199,474
Net Position, Beginning of Year	22,002,100	19,802,626
Net Position, End of Year	<u>\$ 29,555,980</u>	<u>\$ 22,002,100</u>

CITY OF TRACY, CALIFORNIA
Transit Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2024, with Comparative Totals

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Cash receipts from users	\$ 39,380	\$ 74,801
Cash payments to suppliers and contractors	(5,519,929)	(5,761,372)
Cash payments to employees for services	(31,412)	(446,473)
Net Cash Used for Operating Activities	<u>(5,511,961)</u>	<u>(6,133,044)</u>
Cash Flows from Noncapital Financing Activities:		
Operating grants and subsidies	10,790,289	8,816,091
Operating contributions	3,060,498	-
Net payments to/(from) other City funds	(363,574)	(1,385,567)
Net Cash Provided by Noncapital Financing Activities	<u>13,487,213</u>	<u>7,430,524</u>
Cash Flows from Capital and Related Financing Activities:		
Capital grants	52,129	52,129
Acquisition of capital assets	(108,856)	(159,405)
Other income	44,194	5,376
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(12,533)</u>	<u>(101,900)</u>
Cash Flows from Investing Activities:		
Interest	91,315	(8,035)
Net Cash Provided by Investing Activities	<u>91,315</u>	<u>(8,035)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,054,034	1,187,545
Cash and Cash Equivalents, Beginning of Year	1,187,545	-
Cash and Cash Equivalents, End of Year	<u>\$ 9,241,579</u>	<u>\$ 1,187,545</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	\$ (6,942,326)	\$ (7,244,988)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	1,175,014	1,177,851
Increase (decrease) in accounts payable	307,065	(139,285)
Increase (decrease) in accrued liabilities	(27,652)	3,580
Increase (decrease) in unearned revenues	(35,496)	-
Increase (decrease) in deposits payable	6,593	-
Increase (decrease) in compensated absences	(3,760)	7,398
Change in pension related items	16,248	49,681
Change in OPEB related items	(7,647)	12,719
Total Adjustments	<u>1,430,365</u>	<u>1,111,944</u>
Net Cash Used for Operating Activities	<u>\$ (5,511,961)</u>	<u>\$ (6,133,044)</u>

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Transportation Development Act (TDA) and Measure K Funds, allocated for non-transit purposes, and the Transit Enterprise Fund (collectively, the TDA Funds) of the City of Tracy (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the City are described below.

A. Reporting Entity

The City receives funds under the provisions of the TDA from the San Joaquin County Local Transportation Fund (LTF) under Article 8, Section 99400 (a) for local streets and road projects and Article 3, Section 99234 for pedestrian and bicycle facilities. The funds provided under Article 8, Section 99400 (a) represents amounts available after the determination by the San Joaquin Council of Governments, the transportation planning agency administering TDA funds, of amounts needed for local streets and roads of the City. The funds provided under Article 3, Section 99234 represents amounts set aside to be allocated for pedestrian and bicycle facilities within the jurisdictions of San Joaquin County and represent up to 2% of the available funds countywide. The City's TDA Fund is used to account for these TDA funds received by the City for non-transit purposes, which is reflected in these financial statements of the TDA Fund allocated for non-transit purposes.

The City receives funds from an ordinance (Measure K) passed by San Joaquin County voters resulting in sales tax increases of one-half of one percent for transportation improvements. The San Joaquin Council of Governments, acting as the Local Transportation Authority, oversees the collection and distribution of the sales tax in accordance with the twenty- year transportation expenditure plan. The plan calls for street repairs, safety and operational improvements on streets and roads, projects to reduce street and highway congestion, and the promotion of passenger rail and bus services as an alternative to travel by automobile. The City's Proposition K Transportation Tax Fund is used to account for these funds, which is reflected in these financial statements of the Measure K Fund.

The City also receives funds under the provisions of the TDA from the San Joaquin County LTF under Article 8, Section 99400(c) and (e) and State Transit Assistance (STA) under Article 4, Section 6731(b) for contracted public transportation. The STA funds are to be used for public transportation purposes only. The City's Article 8 LTF funds are for the support of public transportation systems as defined in the TDA. In addition to TDA funding, the City receives revenues from Federal Transit Administration (FTA) grants as well as County of San Joaquin operating assistance. The City's Municipal Transit Fund is used to account for TDA funds received by the City for contracted public transportation, which is reflected in these financial statements of the Transit Enterprise Fund. The City provides dial-a-ride transportation services for senior and handicapped citizens through contracts with MV Transportation, Inc., and Yellow Cab of Tracy and provides transit services to the general public through a contract with MV Transportation, Inc.

The accompanying financial statements present only the TDA Funds of the City and are not intended to present fairly the financial position, changes in financial position, or cash flows of the City in conformity with accounting principles generally accepted in the United States of America.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The TDA Fund is a governmental fund specifically categorized as special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Measure K Fund is a governmental fund specifically categorized as a special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Transit Enterprise Fund is a proprietary fund specifically categorized as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector. The City uses an enterprise fund to account for its transit operations because fees are charged to external users for services provided.

C. Measurement Focus and Basis of Accounting

The TDA Fund and the Measure K Fund are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available and expenditures are recognized when the fund liabilities are incurred. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City uses an availability period of 60 days. Revenues that are susceptible to accrual include LTF allocations and interest income.

The Transit Enterprise Fund is classified as an enterprise fund using the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Transit Enterprise Fund reports grant advances on its statement of net position. Grant advances for this fund arise when potential revenue, designated for a specific purpose, has been received prior to the eligibility requirements being met. In subsequent periods, when the eligibility requirements have been met, the liability for grant advances is removed from the statement of net position and revenue is recognized.

Under the provisions of GASB Statement No. 62, *Codification on Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*, the City applies all applicable GASB pronouncements for the Transit Enterprise Fund as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit Enterprise Fund are passenger fares. Operating expenses include the cost of vehicle maintenance, administrative expenses, and depreciation on capital assets and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

All City monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty. Therefore, for purposes of the statement of cash flows, all enterprise fund cash on hand and in the pool (including restricted assets) are considered cash and cash equivalents.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for funding purposes. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

F. Net Position/Fund Balance

The financial statements of the Transit Enterprise Fund utilize a net position presentation. At June 30, 2024, net position is categorized as follows:

- *Invested in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation of these assets reduce the balance in this category.
- *Restricted* – This category presents amounts with external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The City follows the provisions of GASB Statement No., *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent. At June 30, 2024, fund balance is categorized as follows:

- *Restricted fund balance* – amounts with constrains placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Unassigned fund balance* – represents the residual amount that is not contained in the other classifications that result in a deficit fund balance.

G. Capital Assets

All purchased capital assets are valued at cost where historical cost records are available and at an estimated historical cost where no historical records exist.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable

Depreciation of all capital assets in the Transit Enterprise Fund is computed using the straight-line method over their estimated useful lives. Estimated useful lives of buildings are 30 years, office furniture and equipment are 10 years, leasehold improvements 20 years, and vehicles are 5 years.

H. Grants

Grant revenues and receivables are recorded when eligibility requirements, which have been imposed by the provider, have been met. Grant sources include FTA, STA, and LTF. The LTF and STA were created by the State Legislature under the TDA.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Risk Management

The City participates in various risk management programs, some of which relate to the TDA Funds, and are reported in the financial statements of the City. The risk management allocation is based on a percentage of each invoice from the Central San Joaquin Valley Risk Management Authority: 15% to the TDA Fund and 10% to the Transit Enterprise Fund.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

K. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the City's Funds.

L. Contingencies

The City receives funding for specific purposes that are subject to review and audit by the granting agencies funding source. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The City is party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the funds.

NOTE 2: CASH AND INVESTMENTS

The cash and investment balances for the City's TDA Funds are held in the City's cash and investment pool. The City maintains a cash and investment pool in order to facilitate the management of cash. Interest is allocated to its various funds based upon average cash balances. Investments held in the City's cash management pool are available on demand to the City's TDA Funds and are stated at fair value. Information regarding categorization of investments can be found in the City's financial statements.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 3: CAPITAL ASSETS

Capital assets and accumulated depreciation as of June 30, 2024, are as follows:

	Balances				Balances
	June 30, 2023	Adjustments	Additions	Deletions	June 30, 2024
Land	\$ 1,427,226	\$ -	\$ -	\$ -	\$ 1,427,226
Construction-in-progress	250,927	(89,819)	138,162	-	299,270
Building and improvements	16,108,639	-	-	-	16,108,639
Equipment	6,553,838	-	60,513	-	6,614,351
Subtotal	24,340,630	(89,819)	198,675	-	24,449,486
Less: Accumulated Depreciation	(11,321,100)	-	(1,175,014)	-	(12,496,114)
Total Capital Assets	<u>\$ 13,019,530</u>	<u>\$ (89,819)</u>	<u>\$ (976,339)</u>	<u>\$ -</u>	<u>\$ 11,953,372</u>

NOTE 4: PERFORMANCE OBJECTIVES

The City is required by the San Joaquin Council of Governments to maintain two of the three established performance objectives as a transit operator claimant for the year ended June 30, 2023 and June 30, 2021: the cost per revenue hour, and subsidy per passenger. The cost per revenue hour and subsidy per passenger are not to exceed thresholds while the passenger per revenue hour is a minimum threshold. Assembly Bill No. 90 issued on June 29, 2020 by the California Legislature waived the required fare revenue ratio requirement for fiscal year 2020-2021 through fiscal year 2023-2024. For the year ended June 30, 2024, no performance objectives were established by San Joaquin Council of Governments (SJCOG) due to AB125 section 99268.9, which temporarily exempts agencies from meeting required performance objectives.

NOTE 5: STATE OF GOOD REPAIR (SGR)

The State of Good Repair & Accountability Act of 2017 was established to provide funds annually for aging infrastructure, investments in congested commute and freight corridors and to improve transit service. Caltrans is legislated to manage and administer the State of Good Repair (SGR) program. The State Controller's Office publishes annually estimated funding according to population and farebox revenues. The State Controller's Office issues quarterly payment to the San Joaquin Council of Governments who in turn pays the Regional Transit Authority for allocation to the jurisdictions. The 99313 portion of the allocations is allocated based on a Board approved allocation formula for the fiscal year. The 99314 portion is allocated based on the SCO formula. The funds are held with the County Treasurer, and jurisdictions are allowed to draw down from available funds on a reimbursement basis. Caltrans requests that the jurisdictions fully expend the SGR funds within a seven-year period.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 5: STATE OF GOOD REPAIR (SGR) (CONTINUED)

Amounts held by the City and available for draw as of June 30, 2024, are composed of the following:

	<u>Amount</u>
Balance available for draw beginning of the year	\$ 477,350
Revenue:	
SGR Funds Received	142,722
Expenses:	
Expenses	<u>(478,169)</u>
Balance available for draw - end of the year	<u>\$ 141,903</u>

NOTE 6: LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP)

Annual audits of public transportation operators required under the Transportation Development Act (TDA), per PUC 99245, must include verification of receipt and appropriate expenditure of funds. Lead Agencies receiving LCTOP funds in a fiscal year for which a TDA audit is conducted must submit a copy of the audit to Caltrans by December 31st, six months after the close of the fiscal year (closes June 30) Caltrans will make the audits available to the Legislature and the State Controller's Office (SCO) as needed. Lead agencies may request a 90-day extension from the December 31st deadline to March 31st. They must notify Caltrans in writing via e-mail. Project leads who fail to submit an expanded TDA audit documenting all LCTOP funding allocated to date will not receive future LCTOP allocations until the required document(s) have been submitted to Caltrans.

Balance remaining at June 30, 2024 is composed of the following:

	<u>Amount</u>
Balance available for draw - beginning of the year	\$ 75,822
Revenue:	
LCTOP funds received	75,684
Expenses:	
Expenses	<u>(111,180)</u>
Balances available for draw - end of the year	<u>\$ 40,326</u>

NOTE 7: PENSION PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous Plan (Plan), an agent multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

B. 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 credited service, equal to one year of full-time employment. Members with five years of total services are eligible to retire at age 50 with statutory reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the California Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plan's provisions and benefits in effect at June 30, 2024 are summarized as follows:

	Miscellaneous Plan		
	Classic Tier I	Classic Tier II	PEPRA
Hire Date	Prior to April 8, 2012	After April 8, 2012	On or After January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	9%	13.00%
Required employer contribution rates	21.890%	21.890%	21.890%
Required UAL Contribution	\$4,598,207 - Includes Transit Enterprise Fund employees		

Beginning in fiscal year 2018, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded accrued liability (UAL). The dollar amounts are billed on an annual basis. The City's required contributions for the UAL of the Plan was \$4,598,207, including Transit Enterprise Fund employees, in fiscal year 2024, as shown in the table above.

C. Employees Covered

At June 30, 2024, the most recent actuarial valuation available, the following employees were covered by the benefit of the City's Plan:

	Miscellaneous Plan*
Active Employees	360
Transferred and terminated employees	324
Retired employees and beneficiaries	395
Totals	1,079

*Including the Transit Enterprise Fund Employees

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

D. 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. Funding contributions for the Plan are determined annually on an actual basis as of June 30 by CalPERS. 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 City is required to contribute the difference between the actuarially determined rate the contribution rate of employees.

The Transit Enterprise Fund's contributions to the Plan during the measurement period were \$89,400, which were recognized as a reduction to the net pension liability for the fiscal year ended June 30, 2024.

E. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

The net position liabilities are liquidated by the fund that has recorded the liability only when matured. The long-term portion of the net pension liability is liquidated primarily by the City's General Fund.

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Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

F. Actuarial Assumptions

For the measurement period ended June 30, 2023, the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2023 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous Plan ⁽¹⁾
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumption:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.00%
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the 2021 experience study report (based on CalPERS demographic data from 2000 to 2019) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

G. Discount Rate

The discount rate used to measure the total pension liability was 6.90% for the Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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 those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10
Global Equity	30.00%	4.45%
Global Equity	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Liquidity	-5.00%	-0.59%

I. Changes in the Net Pension Liability

The changes in the net pension liability for the Transit Enterprise Fund follow:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Plan Liability (Asset)
Balance at June 30, 2022 (Measurement Date)	\$ 6,572,248	\$ 5,960,964	\$ 611,284
Changes in the year:			
Service Cost	3,152	-	3,152
Interest on the total pension liabilities	8,565	-	8,565
Changes in Sssumption	-	-	-
Changes in Benefit Terms	151	-	151
Differences between expected and actual experience	1,410	-	1,410
Contribution - Employer	-	7,754	(7,754)
Contribution - Employee	-	1,486	(1,486)
Net Investment Income	-	5,735	(5,735)
Other	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(5,876)	(5,876)	-
Net Changes	7,402	9,099	(1,697)
Balance at June 30, 2023 (Measurement Date)	\$ 6,579,650	\$ 5,970,063	\$ 609,587

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

J. Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the net pension liability of the Transit Enterprise Fund, calculated using the discount rate for the Plan, as well as the Transit Enterprise Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Transit Enterprise Fund</u>
1% Decrease	5.90%
Net Pension Liability	\$ 886,854
Current Discount Rate	6.90%
Net Pension Liability	\$ 609,587
1% Increase	7.90%
Net Pension Liability	\$ 330,090

K. Pension Plan Fiduciary Net Pension

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

L. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Transit Enterprise Fund recognized pension expense of \$14,551. At June 30, 2024, the Transit Enterprise Fund reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Total Enterprise Fund</u>	
	<u>Deferred Outflows of Resources</u>	<u>Defererred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 89,400	\$ -
Differences Between Actual and Expected Experience	21,890	(2,046)
Changes in Assumptions	35,812	-
Net Differences Between Projected and Actual Earnings on Plan Investments	76,726	-
Total	<u>\$ 223,828</u>	<u>\$ (2,046)</u>

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 7: PENSION PLAN (CONTINUED)

The \$89,400 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Transit Enterprise Fund
2025	\$ 38,835
2026	33,116
2027	58,409
2028	2,022
Total	<u>\$ 132,382</u>

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City administers a single employer defined benefit (implicit subsidy) healthcare plan. No Assets have been accumulated in a trust for the payment of benefits that meets the criteria in paragraph 4 of the GASB Statement No. 75.

The City offers medical, dental, vision, and life insurance benefits to its employees, retirees, and their dependents. However, the City does not explicitly pay for the cost of retiree health premiums. The medical plans consist of two HealthNet HMO options, a HealthNet PPO and a HealthNet High Deductible Health Plan(HDHP), and Kaiser HMO, all fully insured. Medical premiums for retirees under age 65 are the same as those charged for active employees.

Employees who retire with at least ten years of service may elect to covert all accrued sick leave at the time of retirement to a medical insurance bank that can be used for medical, dental, and vision premiums. Miscellaneous employees, except members of the Teamsters Bargaining Unit, can bank their unused sick leave upon retirement. Members of the Teamsters can also bank their unused sick leave only if they have at least ten (10) years of employment with the City. The value of the medical insurance bank is determined by multiplying the number of accrued sick leave hours by the employees’ hours rate of pay at the time of retirement.

The retired employee and his/her dependents are entitled to continued group health insurance coverage currently in effect with premiums for such coverage being deducted from the medical leave bank until the bank is exhausted.

The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the fiscal year ended June 30, 2024, these costs for 132 retirees, including the Transit Enterprise Fund retirees, totaled \$843,769 and the total liability amount in the medical leave bank is \$6,770,783.

After the account is exhausted, the retiree has the option to either terminate coverage or elect to continue paying the medical (but not dental or vision) premiums with personal funds. Spouses and eligible dependent children of retirees may also be covered at the retiree’s expense. While the City does not directly contribute towards the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an “implicit subsidy” under accounting principles generally accepted in the United States of America. The inclusion of the retirees increases the City’s overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The ability to participate in the City’s health plan by self-paying the premiums extends for the lifetime of the retiree; however, upon attaining the age of Medicare eligibility (65), the retiree may enter a plan coordinated with Medicare. Standard actuarial practice assumes that Medicare supplement planes do not generally give rise to an implicit subsidy, and while the City has included Medicare eligible retirees in this valuation, both their liability and their annual implicit subsidy are both \$0.

The Plan does not issue a separate financial report.

Membership in the Plan consist of the following at June 30, 2023, the date of the latest actuarial valuation:

	OPEB*
Active Employees	347
Transferred and Terminated Employees	-
Retired Employees and beneficiaries	25
Total	372

*Including the Transit Enterprise Fund employees

B. Funding Policy

The Contribution requirement of plan members of the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements.

C. Actuarial Methods and Assumptions

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

The June 30, 2023 total OPEB liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumption	
Discount Rate	4.13%
Inflation	2.50%
Payroll Growth	3.00%
Mortality, Termination, and Disabi	Based on CalPERS 2021 experience study report using data for the period from 1997 to 2019
Mortality Improvement Scale	Macleod Watts Scale 2022 applied generationally from 2017
Healthcare Trend	An annual healthcare cost trend rate of 23.0% for 2024, 6.2% for 2025, and decreasing to an ultimate rate of 3.9% in 2075.

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future.

D. Change in Assumptions

The discount rate increased from 4.09% at June 30, 2023 to 4.13% at June 30, 2024.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. The City’s funding policy affects the calculation of liabilities by choosing the discount rate that is used to develop the plan liability and expense. The City is currently financing its OPEB liability on a pay-as-you-go basis. The discount rate used in the June 30, 2023 valuation is based on the S&P Municipal Bond 20-year high grade index.

F. Changes in Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balance at June 30, 2022	\$ 50,317
Changes in the Year:	
Service Cost	2,991
Interest on total OPEB liability	1,834
Changes in Assumptions	5,443
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,978)</u>
Net Changes	<u>8,290</u>
Balance at June 30, 2023 (Measurement Date)	<u>\$ 58,607</u>

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

The following presents the total OPEB Liability of the Transit Enterprise Fund, calculated using the discount rate, as well as what the Transit Enterprise Fund’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1 percentage point higher than the current rate:

<u>Total OPEB Liability</u>		
<u>Discount Rate -1%</u>	<u>Current Discount</u>	<u>Discount Rate +1%</u>
3.13%	Rate 4.13%	5.13%
<u>\$ 63,806</u>	<u>\$ 58,607</u>	<u>\$ 53,858</u>

CITY OF TRACY, CALIFORNIA
Transportation Development Act And Measure K Funds
Non-Transit Purposes And Transit Enterprise Fund
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

H. Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the total OPEB liability of the Transit Enterprise Fund, calculated using the healthcare cost trend rates, as well as what the Transit Enterprise Fund's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current rates:

Total OPEB Liability		
Healthcare Cost Trend Rates -1%	Current Healthcare Cost Trend Rates	Healthcare Cost Trend Rates +1%
\$ 53,451	\$ 58,607	\$ 64,479

I. Deferred Outflows and Inflows of Resources

The components of deferred outflows of resources and deferred inflows of resources related to OPEB at the measurement date, were as follows:

	Total Enterprise Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 2,889	\$ -
Differences Between Actual and Expected Experience	2,400	(1,872)
Changes in Assumptions	7,171	(15,173)
Net Differences Between Projected and Actual Earnings on Plan Investments	-	-
Total	\$ 12,460	\$ (17,045)

The \$2,889 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2025	\$ (1,153)
2026	(1,153)
2027	(1,153)
2028	(858)
2029	(783)
Thereafter	(2,374)
Total	\$ (7,474)

NOTE 9: SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 10, 2025, the date these financial statements were available to be issued. The City did not identify any subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TRACY, CALIFORNIA
Transit Enterprise Fund
Schedule of Changes in Net Pension Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 23,633	\$ 33,776	\$ 24,035	\$ 34,621
Interest	79,247	93,663	67,588	96,432
Other changes in allocation factors	-	-	-	-
Difference between Expected and Actual Experience	(24,470)	669	9,133	15,495
Changes in Assumptions	-	79,444	(7,787)	-
Benefit Payments, Including				
Refunds of Employee Contributions	(40,245)	(51,736)	(43,047)	(56,370)
Net Change in Total Pension Liability	38,165	155,816	49,922	90,178
Total Pension Liability - Beginning	1,010,894	1,049,059	1,204,875	1,254,797
Total Pension Liability - Ending (a)	\$ 1,049,059	\$ 1,204,875	\$ 1,254,797	\$ 1,344,975
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 28,148	\$ 36,794	\$ 26,407	\$ 41,535
Contributions - Employee	11,869	14,750	11,176	16,597
Plan to Plan Resource Movement	-	-	207	-
Net Investment Income	3,957	104,479	60,557	67,205
Benefit Payments, Including				
Refunds of Employee Contributions	(40,245)	(51,736)	(43,047)	(56,370)
Administrative Expense	(482)	(1,373)	(1,100)	(720)
Other Miscellaneous Income/(Expense)	-	-	(2,089)	(2)
Net Change in Fiduciary Net Position	3,247	102,914	52,111	68,245
Plan Fiduciary Net Position - Beginning	781,620	784,867	887,781	939,892
Plan Fiduciary Net Position - Ending (b)	\$ 784,867	\$ 887,781	\$ 939,892	\$ 1,008,137
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 264,192	\$ 317,094	\$ 314,905	\$ 336,838
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.82%	73.68%	74.90%	74.96%
Covered Payroll	\$ 156,912	\$ 166,164	\$ 227,900	\$ 369,337
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	168.37%	190.83%	138.18%	91.20%

(1) Historical information is required only for measurement years for which GASB 68 is applicable. Information only presented from the implementation year.

Notes to Schedule:

Benefit Changes:

There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions:

There were no changes in 2020 or 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2018. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

	2021	2022	2023	2024
\$	85,337	\$ 35,763	\$ 61,087	\$ 3,152
	227,979	101,170	163,902	8,716
	(21,933)	-	-	-
	67,702	(6,577)	7,961	1,410
	-	-	83,833	-
	(135,792)	-	(109,735)	(5,876)
	223,293	130,356	207,048	7,402
	1,344,975	1,568,268	1,698,624	1,905,672
\$	1,568,268	\$ 1,698,624	\$ 1,905,672	\$ 1,913,074
\$	108,234	\$ 49,052	\$ 83,124	\$ 7,754
	39,210	17,156	28,753	1,486
	-	-	-	-
	120,257	243,433	(153,031)	5,735
	(135,792)	-	(109,735)	(5,876)
	-	-	-	-
	(3,350)	(1,060)	-	-
	128,559	308,581	(150,889)	9,099
	1,008,137	1,136,696	1,445,277	1,294,388
\$	1,136,696	\$ 1,445,277	\$ 1,294,388	\$ 1,303,487
\$	431,572	\$ 253,347	\$ 611,284	\$ 609,587
	72.48%	85.09%	67.92%	68.14%
\$	298,377	\$ 266,185	\$ 300,970	\$ 359,913
	144.64%	95.18%	203.10%	169.37%

CITY OF TRACY, CALIFORNIA
Transit Enterprise Fund
Schedule of Pension Contributions
As of June 30, For the Last Ten Fiscal Years (1)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 28,148	\$ 36,794	\$ 37,377	\$ 56,728
Contribution in Relation to the Actuarially Determined Contribution	(28,148)	(36,794)	(37,377)	(56,728)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 156,912	\$ 166,164	\$ 227,900	\$ 369,337
Contributions as a Percentage of Covered Payroll	17.94%	22.14%	16.40%	15.36%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Information only presented from the implementation year.

Note to Schedule:

Valuation Date:

June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method
Amortization method

Entry Age Normal Cost Method
Level percentage of pay, a summary of
the current policy is provided in the table below:

Driver	Source				
	(Gain)/Loss		Assumption/ Method	Benefit Change	Golden Handshake
	Investment	Non-investment			
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.750%	2.750%	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Asset valuation method
Inflation
Payroll Growth
Projected Salary Increases
Investment Rate of Return

Direct rate smoothing
2.50%
2.75%
Varies by Entry Age and Service
7.00% (net of pension plan investment and administrative expenses, includes inflation)

Retirement Age

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under "The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report."

Mortality

2020	2021	2022	2023	2024
\$ 63,841	\$ 56,427	\$ 70,591	\$ 83,102	\$ 89,400
(63,841)	(56,427)	(70,591)	(83,102)	(89,400)
<u>\$ -</u>				
\$ 298,377	\$ 266,185	\$ 300,970	\$ 359,913	\$ 387,657
21.40%	21.20%	23.45%	23.09%	23.06%

CITY OF TRACY, CALIFORNIA
 Transit Enterprise Fund
 Schedule of Changes in the Total OPEB Liability and Related Ratios
 As of June 30, For the Last ten Fiscal Years (1)

	2019	2020	2021	2022	2023	2023
Total OPEB Liability						
Service cost	\$ 1,383	\$ 1,972	\$ (2,049)	\$ 11,273	\$ (1,188)	\$ 2,991
Interest on the total OPEB liability	828	912	(903)	4,457	(382)	1,834
Actual and expected experience difference	1,190	-	1,646	-	-	-
Changes in assumptions	(1,701)	478	1,797	7,182	3,326	5,443
Benefit payments	(757)	(924)	967	(5,280)	584	(1,978)
Net change in total OPEB liability	943	2,438	1,458	17,632	2,340	8,290
Total OPEB liability - beginning	25,506	26,449	28,887	30,345	47,977	50,317
Total OPEB liability - ending (a)	\$ 26,449	\$ 28,887	\$ 30,345	\$ 47,977	\$ 50,317	\$ 58,607
Covered-employee payroll	\$ 192,556	\$ 180,037	\$ 193,663	\$ 301,879	\$ 359,913	\$ 387,657
Total OPEB Liability as a percentage of covered-employee payroll	13.74%	16.05%	15.67%	15.89%	13.98%	15.12%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:
Changes in assumptions: The discount rate used to measure the total OPEB liability increased from 2.18% to 4.09% for the measurement period ended June 30, 2022.

CITY OF TRACY, CALIFORNIA
Transportation Development Act Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Transportation Fund:				
Pedestrian and bicycle	\$ -	\$ 3,443,307	\$ 133,895	\$ (3,309,412)
Investment earnings	24,307	-	-	-
Total Revenues	24,307	3,443,307	133,895	(3,309,412)
Expenditures:				
Capital outlay	3,196,493	3,743,034	177,397	3,565,637
Total Expenditures	3,196,493	3,743,034	177,397	3,565,637
Deficiency of Revenues Under Expenditures	\$ (3,172,186)	\$ (299,727)	(43,502)	\$ (6,875,049)
Other Financing Uses:				
Intergovernmental transfers	2,586	2,586	(2,586)	-
Total Other Financing Uses	2,586	2,586	(2,586)	-
Net Change in Fund Balances	\$ (3,169,600)	\$ (297,141)	(46,088)	\$ (6,875,049)
Fund Balances, Beginning of Year			(54,631)	
Fund Balances, End of Year (deficit)			\$ (100,719)	

CITY OF TRACY, CALIFORNIA
Measure K Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Measure K Fund:				
Local street repair	\$ 2,546,160	\$ 2,245,394	\$ 2,245,394	\$ -
Investment earnings	-	147,039	325,586	178,547
Total Revenues	2,546,160	2,392,433	2,570,980	178,547
Expenditures:				
Transportation operations	-	-	70,007	(70,007)
Capital outlay	1,111,903	9,493,577	881,681	8,611,896
Total Expenditures	1,111,903	9,493,577	951,688	8,541,889
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,434,257	\$ (7,101,144)	1,619,292	\$ (8,363,342)
Other Financing Uses:				
Intergovernmental transfers	873	873	(873)	-
Total Other Financing Uses	873	873	(873)	-
Net Change in Fund Balances	\$ 1,435,130	\$ (7,100,271)	1,618,419	\$ (8,363,342)
Fund Balances, Beginning of Year			8,991,671	
Fund Balances, End of Year			\$ 10,610,090	

**CITY OF TRACY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND
Notes to the Required Supplementary Information
For the Year Ended June 30, 2024**

NOTE 1: BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Transportation Development Act (TDA) and Measure K Funds. All appropriations lapse at year-end. The appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control is the object level within a fund.

OTHER REPORTS



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

To the Board of Directors
San Joaquin Council of Governments
City of Stockton, California

To the City Council
City of Tracy
Tracy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development (TDA) Fund and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund (collectively the "Funds") of the City of Tracy, California (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Funds' 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 City's internal control as it relates to the Fund's. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-001 to be a significant deficiency.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Funds' 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2024-002.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

LSL, LLP

Sacramento, California
June 10, 2025



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

SCHEDULE OF FINDINGS AND RESPONSES

Reference Number

2024-001 – Equity Adjustments

Evaluation of Finding

Significant Deficiency

Condition

Beginning net position for each of the Fund's at July 1, 2023 did not agree to the ending net position per the issued financial statements of the fiscal year ended June 30, 2023.

Criteria

Adjustments to the trial balance and evaluations of accruals should be recorded in a timely manner to ensure accurate financial reporting.

Cause of Condition

During the audit of the fiscal years ended June 30, 2023, and 2022, adjustments were identified by the City and through audit procedures, however, these entries were not recorded by the City.

Effect or Potential Effect of Condition

Adjustments were necessary for the fiscal year ending June 30, 2024, to accurately reflect beginning equity and revenue for proper financial statement reporting. Failure to post correcting entries in a timely manner may result in the dissemination of inaccurate financial information to the City Council, which can impact decision-making processes.

Recommendation

We recommend the City record necessary adjustments identified timely, to ensure accurate financial statement reporting.

Client Response

The City will record adjustments from the 2024 audit year inclusive of prior year adjustments, to correct equity balances within the Funds to ensure accurate financial statement reporting.

Other Information

Repeat finding – Reference 2023-001 in the prior year report.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Reference Number

2024-002 - Late Submission of City's TDA Financial Statements

Evaluation of Finding

Material Weakness and Material Noncompliance

Condition

The City did not submit its financial statements under the Transportation Development Act (TDA) by the required deadline of December 31st following the current fiscal year end, or no later than March 31st following the fiscal year end with an extension. The financial statements were submitted past these deadlines.

Criteria

According to the Transportation Development Act, financial statements must be submitted:

- By December 31st following the end of the current fiscal year
- Or no later than March 31st following the end of the current fiscal year with an extension

These criteria ensure timely reporting and compliance with regulatory standards.

Cause of Condition

The delayed submission of the City's financial statements resulted from setbacks during the preparation and issuance process, which subsequently delayed the finalization of the financial statements.

Effect or Potential Effect of Condition

The late submission of financial statements can have several negative impacts, including:

- Increased risk of non-compliance with regulatory requirements and financial reporting standards
- Potential financial discrepancies affecting the City's relationships with vendors and granting agencies
- Loss of public trust and confidence in the City's financial management

Recommendation

To address this material weakness and noncompliance, we recommend the following actions:

- Establish a robust review process to track adherence to documented policies and ensure timely and accurate submission of financial statements
- Regular monitoring and follow-up on the progress of financial statement preparation to ensure timely completion

Client Response

The City will complete the year-end closing and monitor the TDA audit to ensure compliance with the March 31st submission deadline.



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

Report on Compliance

Opinion on Compliance for Transportation Development Act, Measure K and Low Carbon Transit Operations Program Requirements

We have audited the City of Tracy, California (the "City")'s compliance with Transportation Development Act (TDA), Measure K, and Low Carbon Transit Operations Program (LCTOP) requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations (collectively "Code of Regulations") for the year ended June 30, 2024.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Transportation Development Act Fund (TDA) and Measure K Fund, allocated for non-transit purposes, and the Transit Enterprise Fund (collectively the "Funds") of the City 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations. 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 City 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. Our audit does not provide a legal determination of the City'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 TDA, Measure K and LCTOP requirements applicable to the City's Funds.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

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 City'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*; the applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations 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 City's compliance with the requirements of the TDA and Measure K requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations, 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 City'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 City's internal control over compliance relevant to the audit, as it relates to the Funds, 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 applicable statutes, rules, and regulations of the TDA, Measure K, and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by the Code of Regulations, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Code of Regulations, and which is described in the accompanying schedule of findings and questioned costs as item 2024-002.

Our opinion on each major federal program is not modified with respect to these matters.

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



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Tracy
Tracy, California

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

LSL, LLP

Sacramento, California
June 10, 2025