

STOCKTON UNIFIED SCHOOL DISTRICT
Stockton, California

FINANCIAL STATEMENTS
June 30, 2014

STOCKTON UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet - to the Statement of Net Position	20
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	22
Statement of Net Position - Proprietary Fund - Self-Insurance Fund	24
Statement of Change in Net Position - Proprietary Fund - Self-Insurance Fund	25
Statement of Cash Flows - Proprietary Fund - Self-Insurance Fund	26
Statement of Fiduciary Net Position - Trust and Agency Funds	27
Statement of Change in Fiduciary Net Position	28
Notes to Financial Statements	29

STOCKTON UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	61
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	62
Notes to Required Supplementary Information	63
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	64
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	65
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	66
Organization	67
Schedule of Average Daily Attendance	68
Schedule of Instructional Time	70
Schedule of Expenditure of Federal Awards	72
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	74
Schedule of Financial Trends and Analysis - Unaudited	75
Schedule of Charter Schools	76
Notes to Supplementary Information	77
Independent Auditor's Report on Compliance with State Laws and Regulations	79
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 <i>Government Auditing Standards</i>	82
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	84

STOCKTON UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	86
Status of Prior Year Findings and Recommendations	91

INDEPENDENT AUDITOR'S REPORT

Board of Education
Stockton Unified School District
Stockton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockton Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stockton Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stockton Unified School District, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 16, the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stockton Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the 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.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of Stockton Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Stockton Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP



Management's Discussion and Analysis

An overview of the Stockton Unified School District's financial activities for the fiscal year ended June 30, 2014, is presented in this discussion and analysis of the District's financial position and performance.

This Management Discussion and Analysis should be read in conjunction with the District's financial statements, including notes and supplementary information, which immediately follow this section.

Financial Highlights

- Total government-wide revenue for the 2014 fiscal year was \$392.5 million. Expenditures totaled \$377.8 million. The difference is an increase to the net position of the District of \$12.7 million, a 4.71% increase from the prior year.
- Capital assets, net of depreciation, increased by \$18.2 million. Projects completed during the fiscal year included the modernization projects at Edison and Franklin High Schools, completion of the construction of the Merlo Institute of Environmental Technology, athletic facilities construction at Chavez and Stagg High Schools, portable classroom replacement at a number of District sites, and the remodeling of kitchen facilities at three District sites.
- Construction and modernization work continued at a number of District school sites. Costs expended on projects in the construction phase totaled \$23.1 million at the end of the fiscal year.
- Long-term debt increased by a net \$59.2 million. 2012 General Obligation Reauthorization Bonds totaling \$65.0 million were issued during the year. Other increases to debt included additional postretirement healthcare benefit costs and the accretion of interest on the Series D General Obligation Bonds from the Election of 2008.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The fund financial statements can be further broken down into three types:

- *Governmental funds statements*, which tell how basic services, such as regular and special education, were financed in the short-term, as well as what remains for future spending.
- *Proprietary funds statements*, offering short and long-term financial information about the activities the District operates like a business, such as the self-insurance fund.

- *Fiduciary funds statements*, providing information about the financial relationships in which the District acts solely as trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the fiscal year

The chart below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: self-insurance and retiree benefits.	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Change in Fund Balances	Statement of Net Position – Proprietary Fund Statement of Change in Net Position – Proprietary Fund Statement of Cash Flows – Proprietary Fund	Statement of Fiduciary Net Position Statement of Change in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the change to the District's net position. Net position, the difference between the District's assets and liabilities, is one way to measure financial health. Over time, increases or decreases to the net position indicate whether the District's financial condition is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition of the District's school buildings and other facilities.

In the government-wide financial statements, the District's activities are reported as Governmental activities. Most of the District's services are included here, such as regular and special education, transportation, and administration. Funding received from the State of California through the Local Control Funding Formula (LCFF), along with special funding received from the federal and state governments, finance most of these activities. The LCFF will be discussed more fully later in this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

There are three types of funds that the District utilizes:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
 - *Internal Service funds* are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the self-insurance fund.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance operations.

Financial Analysis of the District as a Whole

The computation of District net position at June 30, 2014 and 2013 is presented by category in the table below:

	Government-Wide Activities		Year Over
	2014	2013	Year Change
Assets:			
Cash	\$ 172,246,500	\$ 152,326,164	\$ 19,920,336
Receivables	66,606,129	67,970,067	(1,363,938)
Inventories	1,639,897	1,471,608	168,289
Other current assets	1,606,513	329,878	1,276,635
Capital assets, net of depreciation	<u>550,828,108</u>	<u>532,632,622</u>	<u>18,195,486</u>
Total assets	<u>792,927,147</u>	<u>754,730,339</u>	<u>38,196,808</u>
Deferred Outflow:			
Loss on refunding of debt	<u>206,426</u>	<u>220,188</u>	<u>(13,762)</u>
Total assets and deferred outflow	<u>\$ 793,133,573</u>	<u>\$ 754,950,527</u>	<u>\$ 38,183,046</u>
Liabilities:			
Long-term debt outstanding	461,142,399	399,915,939	61,226,460
Other liabilities	<u>50,535,325</u>	<u>86,236,459</u>	<u>(35,701,134)</u>
Total liabilities	<u>511,677,724</u>	<u>486,152,398</u>	<u>25,525,326</u>
Net Position:			
Net investment in capital assets	198,954,310	211,851,575	(12,897,265)
Restricted	66,402,694	43,786,489	22,616,205
Unrestricted	<u>16,098,845</u>	<u>13,160,065</u>	<u>2,938,780</u>
Total net position	<u>\$ 281,455,849</u>	<u>\$ 268,798,129</u>	<u>\$ 12,657,720</u>

Total assets and deferred outflows increased by \$38.2 million during the 2014 fiscal year. Of this total, cash accounts increased by \$19.9 million, receivables decreased by \$1.4 million, and other assets increased by \$1.3 million. Capital assets, net of depreciation, increased by a total of \$18.2 million. Capital assets are discussed in more detail later in this Management Discussion and Analysis report.

Long-term debt increased a net \$59.2 million. Increases to debt included the issuance of \$65.0 million in 2012 General Obligation Reauthorization Bonds, accretion of \$4.8 million in interest on the Series D General Obligation Bonds from the election of 2008, and an increase of \$1.6 million to the postemployment healthcare benefits. Long-term debt was reduced by the retirement of the \$250,000 one-time loan received by the Stockton Early College Academy (SECA) during the 2010-11 year, and by the normal payment on debt instruments owed by the District. A discussion of the District's long-term debt is included later in this report. Accounts termed "Other Liabilities," including accounts payable and unearned revenue, decreased by \$35.7 million. The overall change to total liabilities was a net increase of \$25.5 million.

The difference between the \$38.2 million increase to total assets and the \$23.5 million increase to total liabilities resulted in a net \$12.7 million increase to total net position, a 4.71% change from the balance at June 30, 2013.

A summary of total District revenues, expenses, and change in net position is presented in the table below.

	Government-Wide Activities		Year Over
	2014	2013	Year Change
Revenues – Program:			
Charges for Services	\$ 1,527,805	\$ 1,518,318	\$ 9,487
Operating Grants and Contributions	106,868,109	120,516,324	(13,648,215)
Capital Grants and Contributions	--	5,703,256	(5,703,256)
Revenues – General:			
Unrestricted Federal and State Aid	226,292,608	192,500,443	33,792,165
Taxes Levied for General Purposes	31,605,654	29,484,115	2,121,539
Taxes Levied for Debt Service	21,725,976	19,187,011	2,538,965
Taxes Levied for Other Purposes	632,497	547,707	84,790
Interest and Investment Earnings	528,158	1,380,852	(852,694)
Other General Revenues	<u>3,290,697</u>	<u>3,810,773</u>	<u>(520,076)</u>
Total Revenues	<u>392,471,504</u>	<u>374,648,799</u>	<u>17,822,705</u>
Expenses:			
Instruction	219,141,776	217,310,716	1,831,060
Pupil and Instructional Services	88,410,460	85,535,603	2,874,857
General Administration	14,740,558	14,971,240	(230,682)
Plant Services	37,199,015	35,438,771	1,760,244
Other Expenses	<u>20,321,975</u>	<u>25,183,876</u>	<u>(4,861,901)</u>
Total Expenses	<u>379,813,784</u>	<u>378,440,206</u>	<u>(1,373,578)</u>
Increase/(Decrease) in Net Position	<u>12,657,720</u>	<u>(3,791,407)</u>	<u>16,449,127</u>
Net Position, Beginning of the Year	268,798,129	279,868,840	(11,070,711)
Cumulative effect of change in accounting principles	--	<u>(7,279,304)</u>	<u>7,279,304</u>
Net Position, Beginning of the Year, As Restated	<u>268,798,129</u>	<u>272,589,536</u>	<u>(3,791,407)</u>
Net Position, End of the Year	<u>\$ 281,455,849</u>	<u>\$ 268,798,129</u>	<u>\$ 12,657,720</u>

For the 2014 fiscal year, total District revenues were \$392.5 million. Total District expenses were \$379.8 million. The difference is an increase to net position at June 30, 2014 of \$12.7 million.

A main source of revenue for the District is the State Aid portion of the Local Control Funding Formula, which is included in the Unrestricted Federal and State Aid total. These funds are based on Average Daily Attendance (ADA), the fractional proportion of the number of days a student attends school to the number of days the student is enrolled. Supplemental and Concentration grants, based on the percentage of English learners, free and reduced meal eligible students, and foster students, are also available through the LCFF.

Enrollment, not including the District's dependent charter schools, was unchanged when comparing 2014 with the prior school year. Total second month enrollment in Grades K – 12 for the 2014 fiscal year was 34,520 students, an increase of 5 students from the 2013 year. When District charter school enrollment is included in the totals, enrollment increased by 171 students, indicating that overall District enrollment is slightly growing, a welcome change from recent years where enrollment has showed a steady decline.

This same trend is seen with Average Daily Attendance (ADA). For the 2014 fiscal year, the ADA for the Second Principal Apportionment (P-2) period totaled 32,492, an increase of 85 ADA from the prior fiscal year. It is anticipated that enrollment and ADA will continue to grow during the 2015 fiscal year.

Governmental Activities

Governmental Activities Expenditures

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction, Instruction-related Services and Pupil Services	\$ 307,552,236	\$ 302,846,319	\$ 208,451,662	\$ 185,148,220
General Administrative and Plant Services	51,939,573	50,410,011	47,014,704	45,576,021
Ancillary Services	<u>1,010,446</u>	<u>1,033,111</u>	<u>937,559</u>	<u>938,825</u>
Totals	<u>\$ 360,502,255</u>	<u>\$ 354,289,441</u>	<u>\$ 256,403,925</u>	<u>\$ 231,663,066</u>

This table displays by function the total and net cost of services provided for the 2014 and 2013 fiscal years. The net cost of services represents the total cost less operating and capital grants and contributions, and for revenue received where a charge is made for the service provided.

Financial Analysis of the District's Funds

At June 30, 2014, the District had fourteen governmental funds reporting a combined fund balance of \$189.1 million, an increase of \$53.8 million over the prior year. Of these funds, ten had revenues which exceeded expenditures, contributing to the combined fund balance. The following table details the fund balances of the individual governmental funds. A majority of the increase was due to the sale of bonds for capital projects.

Governmental Funds – Fund Balance

	Fund Balance – June 30,		Year Over Year Change
	2014	2013	
General Fund	\$ 65,090,641	\$ 51,230,228	\$ 13,860,413
Charter Schools Special Revenue Fund	1,753,430	765,231	988,199
Adult Education Fund	644,033	751,124	(107,091)
Child Development Fund	194,511	32,838	161,673
Cafeteria Special Revenue Fund	12,196,130	12,418,586	(222,456)
Deferred Maintenance Fund	1,601,314	1,395,261	206,053
Building Fund	74,579,388	22,299,012	52,280,376
Capital Facilities Fund	4,968,194	6,777,390	(1,809,196)
County School Facilities Fund	26,911	26,844	67
Special Reserve for Capital Outlay Projects	3,538,863	18,999,875	(15,461,012)
Capital Proj. Fund for Blended Component Units	1,521	1,520	1
Bond Interest and Redemption Fund	16,411,999	14,105,322	2,306,677
Tax Override Fund	13,222	13,191	31
Debt Service Fund	<u>8,130,130</u>	<u>6,538,804</u>	<u>1,591,326</u>
Totals	<u>\$ 189,150,287</u>	<u>\$ 135,355,226</u>	<u>\$ 53,795,061</u>

General Fund – Revenue and Expenditure Analysis

The table below displays unaudited actual General Fund revenue by major category for fiscal year 2014, along with the increase or decrease from fiscal year 2013 and breakdowns by percentage. The table does not include Transfers In and Other Financing Sources.

General Fund			
FY-2014 Actual	Percent Of Total	Increase (Decrease) from FY-2013	Percent Increase or (Decrease)

Revenues:

LCFF Sources	\$ 238,045,743	72.07%	\$ 63,783,809	36.60%
Federal Revenue	42,888,276	12.98%	(4,090,842)	(8.71)%
Other State Revenue	43,350,730	13.13%	(36,418,587)	(45.65)%
Other Local Revenue	<u>6,002,646</u>	<u>1.82%</u>	<u>(1,924,133)</u>	(24.27)%
Total Revenues	<u>\$ 330,287,395</u>	<u>100.00%</u>	<u>\$ 21,350,24</u>	6.91%

Expenditures for the General Fund are reflected in the following table by major expenditure category. The table does not include Transfers Out and Other Financing Uses.

General Fund			
FY-2014 Actual	Percent Of Total	Increase (Decrease) from FY-2013	Percent Increase or (Decrease)

Expenditures:

Certificated Salaries	\$ 140,836,843	45.18%	\$ 730,150	0.52%
Classified Salaries	48,608,541	15.59%	3,217,062	7.09%
Employee Benefits	74,919,680	24.04%	1,008,407	1.36%
Books and Supplies	13,987,347	4.49%	(1,550,755)	(9.98)%
Services, Other Operating Expenses	32,732,676	10.50%	(1,153,618)	(3.40)%
Capital Outlay	--	0.00%	(2,158,941)	(100.00)%
Other Outgo/Dir. Supp./Indirect Costs	<u>607,921</u>	<u>0.20%</u>	<u>(189,641)</u>	(23.78)%
Total Expenditures	<u>\$ 311,693,012</u>	<u>100.00%</u>	<u>\$ (97,332)</u>	(0.03)%

The District’s financial condition has brightened when compared to recent years. The slowly improving national and state economies, enrollment and average daily attendance which are no longer declining and the new state LCFF funding model are all contributing to the District’s stronger financial position. Stockton Unified is looking for the financial picture to continue to improve during the 2015 fiscal year. This is discussed more fully in the “Economic Factors and Next Year’s Budgets and Rates” section found later in this document.

General Fund - Budgetary Highlights

The District's 2014 General Fund operating budget was adopted by the Governing Board in June of 2013. As adopted, budgeted revenues totaled \$301.8 million. This represents \$9.8 million less than the \$311.6 million budgeted for expenditures.

Formal revisions were made to the budget during the year. These revisions fell into three main categories:

- Increases to both estimated income and appropriations due to the receipt of new grant awards or donations.
- The budgeting of carryover balances from prior years. It is District policy to not budget expenditure totals carried over from a prior year until after the unaudited actual balances for that year have been calculated.
- Increases in appropriations to prevent budget overruns.

The following tables display General Fund revenue and expenditures by major object categories with a comparison to the revised budget totals reflected in the 2013-14 Second Interim report.

General Fund			
FY-14 Actual Revenue	Board Approved Budget		Increase (Decrease)

Revenue:

LCFF Sources	\$ 238,045,742	\$ 237,036,732	\$ 1,009,010
Federal Revenue	42,888,276	59,580,112	(16,691,836)
Other State Revenue	43,350,730	45,183,547	(1,832,816)
Other Local Revenue	6,002,646	4,506,319	1,496,329
Transfers In/Other Sources	--	--	--
Total Revenue	<u>\$ 330,287,395</u>	<u>\$ 346,306,710</u>	<u>\$ (16,019,315)</u>

General Fund			
FY-14 Actual Expenditures	Board Approved Budget		Increase (Decrease)

Expenditures:

Certificated Salaries	\$ 140,836,844	\$ 142,545,359	\$ (1,708,515)
Classified Salaries	48,608,541	47,951,203	657,338
Employee Benefits	74,919,680	76,198,708	(1,279,028)
Books and Supplies	13,987,347	43,833,832	(29,846,485)
Services and Other Operating Expenses	32,732,676	37,403,698	(4,671,022)
Capital Outlay	--	2,000	(2,000)
Other Outgo/ Direct Support/Indirect Costs	607,921	445,063	162,858
Transfers Out/Other Uses	<u>4,733,973</u>	<u>4,484,903</u>	<u>249,070</u>
Total Expenditures	<u>\$ 316,426,982</u>	<u>\$ 352,864,766</u>	<u>\$ (36,437,784)</u>

Change in Net Ending Balance	<u>\$ 13,860,413</u>	<u>\$ (6,558,056)</u>	<u>\$ 20,418,469</u>
------------------------------	----------------------	-----------------------	----------------------

Capital Asset and Debt Administration

Capital Assets at Year-End (Net of Depreciation)

	Government-Wide Activities	
	2014	2013
Land	\$ 25,735,353	\$ 25,735,353
Improvement of Sites	3,349,187	3,614,282
Buildings	491,967,542	376,598,824
Equipment	6,704,353	6,201,178
Construction in Progress	<u>23,071,673</u>	<u>120,482,985</u>
Totals	<u>\$ 550,828,108</u>	<u>\$ 532,632,622</u>

Capital assets in the table above are reflected as of June 30, 2014 and 2013, net of depreciation. The District uses a capitalization threshold of \$50,000. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives. The amount shown for Construction in Progress represents expenditures for projects currently in the construction phase. Depreciation will not be taken on these assets until a project is completed.

Capital assets, net of depreciation, increased by a net \$18.2 million during the year. The major capital asset projects completed include the following:

✓ Modernization	Franklin High Modernization	\$53.1 million
✓ Modernization	Edison High Modernization	\$18.1 million
✓ Construction	Stagg High Athletic Facilities	\$24.0 million
✓ Construction	Chavez High Athletic Facilities	\$13.2 million
✓ Construction	Portable Replacement	\$13.9 million
✓ Construction	Merlo Institute of Environmental Technology	\$ 1.2 million
✓ Remodel	Kitchens at Elmwood, Hamilton and Marshall	\$ 2.8 million

A total of \$23.1 million has been expended on projects still in the construction phase. This includes construction work on the Stockton Early College Academy (SECA) campus and the athletic facilities project at Franklin High School, and modernization projects at several school sites. The Construction in Progress account decreased a net \$97.4 million for the 2013-2014 year, primarily from the completed projects listed above. Depreciation expense totaled \$13.3 million for the year.

Outstanding Debt at Year-End

	Government-Wide Activities	
	2014	2013
General Obligation Bonds, including Premiums	\$ 375,601,593	\$ 317,417,499
Accreted Interest – 2008 Series D General Obligation Bonds	12,001,987	7,236,859
Certificates of Participation, including Premiums	36,392,067	37,338,163
Capitalized Lease Obligations	1,204,349	1,622,799
Qualified Zone Academic Bonds Payable	5,000,000	5,000,000
Charter School Loan	--	83,334
Redevelopment Agency Repayment	242,185	968,740
Postretirement Healthcare Benefits	22,846,520	21,204,022
PARS Liability	1,238,783	4,309,356
Compensated Absences	<u>4,620,427</u>	<u>4,735,167</u>
Totals	<u>\$ 459,147,911</u>	<u>\$ 399,915,939</u>

Outstanding debt increased by a net \$59.2 million during the fiscal year. This is detailed as follows:

Increases - \$72.5 Million

- Sale of 2012 General Obligation Reauthorization Bonds - \$66.1 million. This represents \$65.0 million in bonds and \$1.1 million in bond premium.
- Accretion of interest on Election of 2008, Series D General Obligation Bonds - \$4.8 million.
- Net increase to Postemployment Benefits - \$1.6 million.

Decreases - \$13.3 Million

- Scheduled payments on various general obligation bond issues - \$7.3 million.
- Amortization of general obligation bond premiums, various issues - \$0.6 million.
- Scheduled payment on the 2007 Certificates of Participation - \$1.0 million.
- Net decrease to the Supplemental Employee Retirement Plan administered by the Public Agency Retirement Services (PARS) - \$3.1 million.
- Scheduled payment of Capitalized Lease obligations - \$0.5 million.
- Scheduled payment to the State of California for excess redevelopment agency apportionments - \$0.7 million.
- Scheduled payment - loan to the Stockton Early College Academy charter school - \$0.1 million.
- Scheduled payment on Certificates of Participation - \$0.9 million.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

Economic Factors and Next Year's Budgets and Rates

The 2014-15 Stockton Unified School District budget has been developed with all components of the proposal presented by Governor Jerry Brown in January and any applicable May Revise and Adopted Budget adjustments. The District enters the 2014-15 fiscal year with the momentum of an improving economy and a commitment by state legislative leaders for increased education funding.

In January 2014, the Governor released his Proposed Budget with a positive outlook for education. Only once in the past 30 years did public education receive a funding increase of more than 10%; 2001. With the passage of Proposition 30 in November of 2012, which called for higher sales and income taxes, and the slow, but positive, growth in both the national and state economies, enough new revenue was generated to allow the Governor to propose an increased funding allocation to education.

The 2014-15 education funding plan centers on the Local Control Funding Formula (LCFF). The 2013-14 state budget made major changes to the way the state allocates funding to school districts. The revenue limit and approximately three-quarters of the state categorical programs are now gone. Replacing them are base grants, allocated on grade spans for all students, and supplemental and concentration grants targeted to specific student groups. Funding under LCFF is designed to allow more flexibility for school leaders to determine, with input from parents and other local stakeholders, how the state funding will be used to improve student achievement and better assure that a student will graduate from high school and be college and career ready.

Besides providing more local control and local accountability, the LCFF emphasizes equity and provides additional funding for targeted disadvantaged students: English learners, students eligible to receive a free or reduced-price meal, or foster youth. Districts with these student groups will receive a supplemental grant equal to 20 percent of the base grant for each eligible student, and a concentration grant equal to 50 percent of the base grant for targeted students exceeding 55 percent of a school district's total student enrollment.

Included as part to the LCFF is a requirement for school districts to develop, adopt, and then update on an annual basis a three-year Local Control and Accountability Plan (LCAP) using a template adopted by the

California Board of Education. The LCAP is required to identify annual goals, specific actions, and measure student progress across eight performance areas, including student academic achievement, school climate, student access to a broad curriculum, and parent engagement. Parent and public input is required in developing, revising, and updating the LCAP. The academic priorities of the LCAP must be aligned to the district's spending plan found in the annual budget. The District met with parents and the public, school personnel and bargaining units, and local civic leaders to develop the LCAP. After many meetings and several public hearings, the Governing Board adopted the District's LCAP in June of 2014

It is important to note that the LCFF is proposed to be implemented over an eight-year period. Until full implementation is achieved in the 2020-21 fiscal year, school districts will receive roughly the same amount of funding they received in 2012-13, plus an additional amount each year to close the gap between current funding levels and the new LCFF target levels. For 2014-15, funding for implementation of the LCFF totals \$4.75 billion state-wide, equating to an average increase of 11.6%, or \$803 per pupil. The increased LCFF funding is estimated to reduce the gap between the 2013-14 funding level and the LCFF funding target for each school district by 29.56%.

LCFF - Base Grant Entitlements – Target Funding

\$4.75 billion is budgeted state-wide for continued implementation of the Local Control Funding Formula (LCFF). Each school district receives a base grant allocation calculated by grade span: K-3, 4-6, 7-8, and 9-12. A cost of living adjustment (COLA) of 0.85% is applied to the base grant amount for 2013-14 to arrive at the base grant for 2014-15. This is shown in the table below.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2013-14 Base Grant per ADA	\$ 6,952	\$ 7,056	\$ 7,266	\$ 8,419
COLA @ 0.85%	\$ 59	\$ 60	\$ 62	\$ 72
2014-15 Base Grant per ADA	\$ 7,011	\$ 7,116	\$ 7,328	\$ 8,491

LCFF – Grade Span and CTE Adjustments – Target Funding

In addition to the base grant, school districts receive adjustments for Grade Span Adjustment (GSA) and Career-Technical Education (CTE). These adjustments are percentages of the base grant amounts, as shown in the following table.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2014-15 Base Grant per ADA	\$ 7,011	\$ 7,116	\$ 7,328	\$ 8,491
Adjustment Percentage	10.4% GSA	-	-	2.6% CTE
Adjustment Amount	\$ 729	-	-	\$ 221
Adjusted Grant per ADA	\$ 7,740	\$ 7,116	\$ 7,328	\$ 8,712

LCFF – Supplemental and Concentration Grants per ADA – Target Funding

Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced meal (FRPM) program eligible students, and foster youth.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
Adjusted Grant per ADA	\$ 7,740	\$ 7,116	\$ 7,328	\$ 8,712
20% Supplemental Grant	\$ 1,548	\$ 1,423	\$ 1,466	\$ 1,742
50% Concentration Grant (for eligible students exceeding 55% of enrollment)	\$ 3,870	\$ 3,558	\$ 3,664	\$ 4,356
Total Adjusted Target Funding Amount	\$ 13,158	\$ 12,097	\$ 12,458	\$ 14,810

Common Core State Standards Funding

In addition to the LCFF and LCAP, the District entered 2014-15 implementing the Common Core State Standards (CCSS). Beyond the \$1.25 billion in implementation funds provided in the 2013 Budget Act, the state budget did not propose any additional per ADA statewide funding for the CCSS. However, in acknowledgement of the need for adequate technological capacity to administer the computer-based assessments and support access for students, the state budget includes \$26.7 million in one-time dollars for the K-12 High Speed Network to conduct a comprehensive assessment and to provide grant funds to support school districts with the most need in ensuring equal accessibility and participation in computer adaptive tests during the 2014-15 year.

Education Issues not Addressed in the State Budget

The state budget did not address all items hoped for by the education community. Not included in the budget are the following educational issues:

- No proposal for a statewide school facilities bond;
- No new funding to address special education shortfalls;
- No additional funding for the Common Core Standards;
- No payments for prior year state mandates; and
- No new funding included for school districts to address the increased employer costs proposed in dealing with the unfunded liability in the CalSTRS fund.

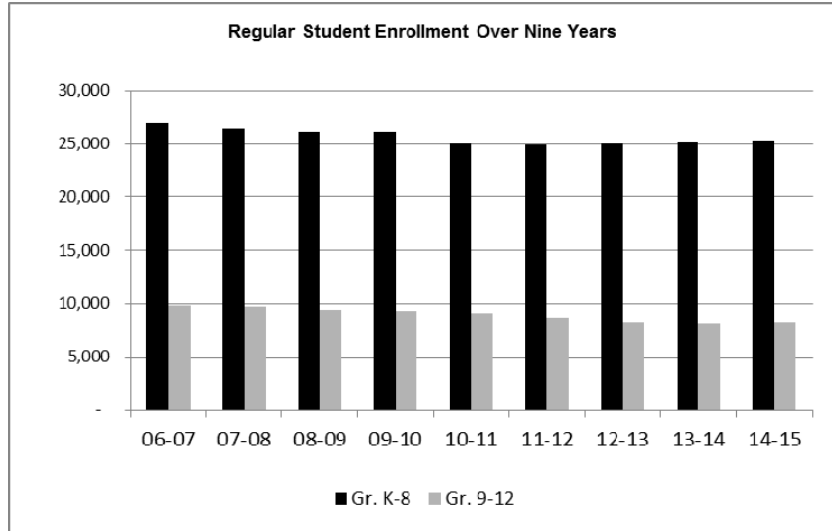
It is within these parameters that the District's 2014-15 General Fund budget was prepared. Critical assumptions used to prepare the 2014-15 budget are discussed below.

Student Enrollment and Enrollment Projections

One of the economic factors affecting the school District's future outlook and growth potential is enrollment. Enrollment represents the number of students registered to attend schools within the District's boundaries. Attendance represents those students actually coming to school each day, with revenue coming to the District based on the average daily attendance, or ADA. Additional revenue can be generated from average daily attendance when a greater number of students attend District schools. However, if enrollment is lower, the District receives less of this general purpose revenue. With the start of the 2014-15 school year, enrollment in District schools is slightly higher at 36,888 students when compared to the enrollment totals from the prior year and to the projected enrollment of 36,554 students used for budget development.

Enrollment can increase or decline in a school District for many reasons: charter schools, home schooling, movement in or out of neighboring Districts, and migration to or from other states. Decisions made within a school district can also affect the student enrollment that converts to revenue for operational purposes. For the 2014-15 year, the District's Health Careers Academy charter school is adding an additional grade to operate as a full four-year program. This will result in movement of District students from the regular schools to this charter school. To offset the revenue loss to the General Fund, the District works to make these school expansions as "cost neutral" as possible. This is accomplished through the transfer of school personnel and other operational costs, and by charging for services provided. These services include transportation costs, textbook costs, rent for facilities, and statutory percentage cost for fiscal oversight.

The graph to the right provides an overview of the District's enrollment over the past nine years.



In planning a viable budget, the preparation of accurate enrollment projections is critical. With student enrollment now showing signs of growth, it becomes imperative to have accurate enrollment projections to staff for an adequate teacher corps, provide proper classroom facilities and order ample books and supplies to meet the needs

of District students. Stockton Unified continues to be vigilant in monitoring and projecting student enrollment. Work continues to refine methods in projecting enrollment which allows for better planning of the educational program and control over operational costs.

In summary, student enrollment is the lifeblood of the District. Stockton Unified continues to work to provide educational programs which stimulate student learning and allows the District to retain the current student population and attract additional students.

Salaries and Benefits

Salaries and benefits are subject to negotiations each year based on collective bargaining agreements. Most school districts negotiate based on “total compensation” which consists of salaries and benefits. Total compensation generally refers to increases in salaries and health benefits. The District anticipates that pressure to increase salary compensation and health benefits will continue over the next few years. Currently, the District allocates approximately 89% of the General Fund unrestricted expenditure budget toward salary and benefit related areas. The District controls salary costs in a number of ways, including the monitoring of authorized positions in the budget, issuing hiring freezes when necessary, and restricting the use of additional and overtime pay. The District will continue to use prudence in discussions with employee bargaining groups regarding the adjustment of employee salaries.

In addition, the District has to assume increases in expenses due to step and column changes. Stockton Unified is obligated to provide additional employee compensation for each bargaining unit contract which has additional experience (years worked) and/or additional education (post-secondary degree program) credits. The District is assuming a step and column cost increase for certificated staff of 1.68%. The assumed rate increase for classified staff for the 2014-15 year is 1.34%.

Health Rates

The cost of health care is expected to increase over the next few years. The District has established a health benefits allowance for 2014-15. The allowance results from collective bargaining contracts in which an expense cap does not exist and the District is obligated to absorb any cost increases. The District anticipates continued pressure to increase the health benefits allowance as costs continue to rise. The District is working with the employee bargaining groups to explore ways to maintain acceptable levels of employee health care at affordable costs. Even so, the District does not expect reduced health care costs in future years.

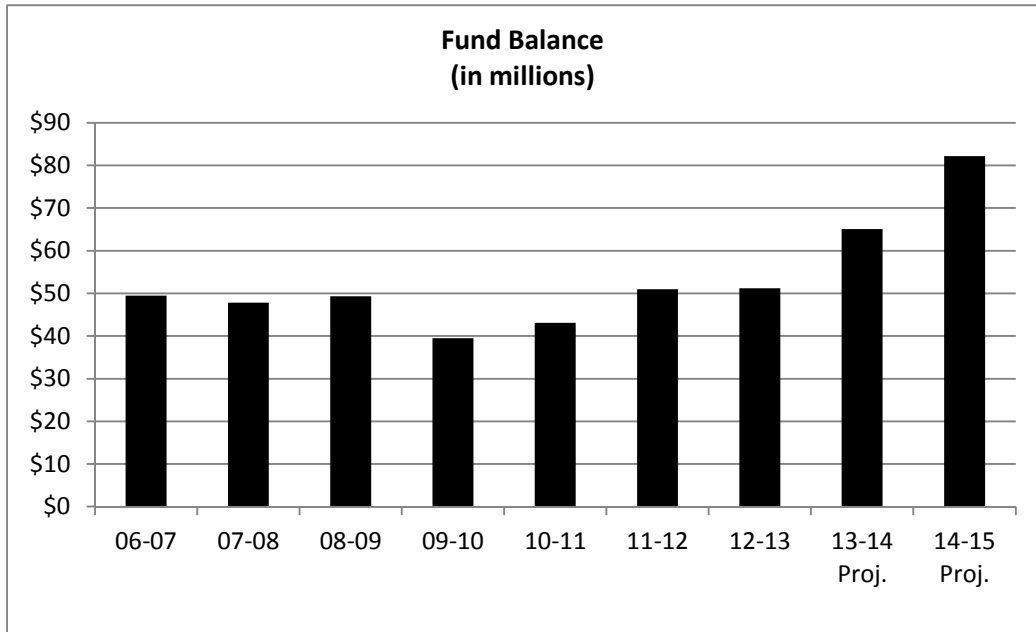
Fund Balance

The fund balance represents yearly differences between revenues and expenditures. The operational results of the District either add to or reduce from the fund balance. Additionally, the fund balance is either unrestricted or restricted. An unrestricted fund balance means that unspent dollars are left to the District's

discretion. On the other hand, restricted dollars are not left to the District's discretion and are restricted based on guidelines established by the State Department of Education.

Additionally, a "Reserve for Economic Uncertainties" for unforeseen emergencies is required of districts by the State Department of Education. The reserve for this District is based on 2% of the total General Fund expenditures (approximately \$6.3 million). Setting aside a state required reserve means that the District has fewer dollars available for operational areas. It also means that a reserve balance is available if the District must address an unplanned financial situation.

The graph below shows the history of the District's General Fund balance, including projected net ending fund balances for the 2013-14 and 2014-15 years.



Note: The projected fund balances for 2014-15 includes restricted balance estimates.

Conclusion

The District continues to face many challenges: adjusting to new state funding formulas, negotiating salary compensation, increasing health care costs, maintaining a positive fund balance, and effectively managing cash balances. Proper planning and foresight will be required for the District to balance financial resources with educational goals and objectives. School site staff, central office employees, and District administration are up to meeting these challenges with the goal being an educational program that allows our students to gain the knowledge necessary to progress through life as informed and productive citizens.

Contacting the District's Financial Management

This financial report is designed to provide our parents, citizens, taxpayers, 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 any questions regarding this report or need additional financial information, contact Ms. Michele Huntoon, Chief Business Official, Stockton Unified School District, 701 North Madison Street, Stockton, CA 95202.

BASIC FINANCIAL STATEMENTS

STOCKTON UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 172,246,500
Receivables	66,606,129
Prepaid expenses	1,606,513
Stores inventory	1,639,897
Non-depreciable capital assets (Note 4)	48,807,026
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>502,021,082</u>
Total assets	<u>792,927,147</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	<u>206,426</u>
LIABILITIES	
Accounts payable	31,592,752
Claims liability, current (Note 5)	2,000,000
Unearned revenue	3,201,061
Long-term liabilities:	
Claims liability, less current portion (Note 5)	15,736,000
Due within one year (Note 6)	14,634,146
Due after one year (Note 6)	<u>444,513,765</u>
Total liabilities	<u>511,677,724</u>
NET POSITION	
Net investment in capital assets	198,954,310
Restricted (Note 7)	64,408,206
Unrestricted	<u>18,093,333</u>
Total net position	<u>\$ 281,455,849</u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contri- butions</u>	<u>Capital Grants and Contri- butions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 219,141,776	\$ 178,857	\$ 54,925,091	\$ -
Instruction-related services:				
Supervision of instruction	26,192,728	21,916	20,865,644	-
Instructional library, media and technology	813,545	1,419	166,803	-
School site administration	19,381,993	1,996	349,257	-
Pupil services:				
Home-to-school transportation	10,557,578	-	40,778	-
Food services	15,862,221	302,194	17,488,463	-
All other pupil services	15,602,395	70,615	4,687,541	-
General administration:				
Data processing	3,096,646	-	-	-
All other general administration	11,643,912	22,269	2,984,509	-
Plant services	37,199,015	23,382	1,894,709	-
Ancillary services	1,010,446	-	72,887	-
Enterprise activities	(646)	-	-	-
Other outgo	1,133,530	905,157	3,392,427	-
Interest on long-term liabilities	18,178,645	-	-	-
	<u>\$ 379,813,784</u>	<u>\$ 1,527,805</u>	<u>\$ 106,868,109</u>	<u>\$ -</u>
Total governmental activities				<u>(271,417,870)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				31,605,654
Taxes levied for debt service				21,725,976
Taxes levied for other specific purposes				632,497
Federal and state aid not restricted to specific purposes				226,292,608
Interest and investment earnings				528,158
Interagency revenues				1,250,559
Miscellaneous				2,040,138
				<u>284,075,590</u>
				Change in net position
				12,657,720
				Net position, July 1, 2013
				<u>268,798,129</u>
				Net position, June 30, 2014
				<u>\$ 281,455,849</u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund (01)</u>	<u>Building Fund (21)</u>	<u>All Non-Major Funds *</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 20,907,277	\$ -	\$ 35,179,136	\$ 56,086,413
Cash in County Treasury restricted for capital projects	-	77,556,960	4,643,222	82,200,182
Cash on hand and in banks	-	-	12,038	12,038
Cash in revolving fund	70,000	-	2,500	72,500
Cash with Fiscal Agent	1,620,175	353,652	8,126,748	10,100,575
Receivables	60,435,837	50,213	5,915,970	66,402,020
Prepaid expenditures	1,256,502	-	9,881	1,266,383
Due from other funds	859,884	582	522,809	1,383,275
Stores inventory	<u>1,188,237</u>	<u>-</u>	<u>451,660</u>	<u>1,639,897</u>
Total assets	<u>\$ 86,337,912</u>	<u>\$ 77,961,407</u>	<u>\$ 54,863,964</u>	<u>\$219,163,283</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 17,540,628	\$ 3,380,102	\$ 4,508,147	\$ 25,428,877
Unearned revenue	3,156,029	-	45,032	3,201,061
Due to other funds	<u>550,614</u>	<u>1,917</u>	<u>830,527</u>	<u>1,383,058</u>
Total liabilities	<u>21,247,271</u>	<u>3,382,019</u>	<u>5,383,706</u>	<u>30,012,996</u>
Fund balances:				
Nonspendable	2,514,739	-	464,041	2,978,780
Restricted	13,226,009	74,579,388	49,016,217	136,821,614
Assigned	5,300,881	-	-	5,300,881
Unassigned	<u>44,049,012</u>	<u>-</u>	<u>-</u>	<u>44,049,012</u>
Total fund balances	<u>65,090,641</u>	<u>74,579,388</u>	<u>49,480,258</u>	<u>189,150,287</u>
Total liabilities and fund balances	<u>\$ 86,337,912</u>	<u>\$ 77,961,407</u>	<u>\$ 54,863,964</u>	<u>\$219,163,283</u>

* Refer to page 66

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - Governmental Funds \$ 189,150,287

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$738,544,195 and the accumulated depreciation is \$187,716,087 (Note 4). 550,828,108

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2014 consisted of (Note 6):

General Obligation Bonds and premium	\$ (375,601,593)
Accreted Interest	(12,001,987)
Certificates of Participation and premium	(36,392,067)
Capital leases obligations	(1,204,349)
Qualified Zone Academy Bonds	(5,000,000)
Redevelopment Agency Repayment	(242,185)
Post-employment healthcare benefits	(22,846,520)
Public Agency Retirement Services (PARS) Liability	(1,238,783)
Compensated absences	<u>(4,620,427)</u>

(459,147,911)

In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (4,913,486)

In governmental funds, deferred inflows and deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred inflows or outflows of resources. 206,426

In governmental funds, insurance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, the insurance costs are amortized over the life of the debt. 90,102

Internal service funds are used to conduct certain activities for which costs are charged to other funds. Assets and liabilities are reported within the governmental activities in the Statement of Net Position. 5,242,323

Total net position - governmental activities \$ 281,455,849

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund (01)</u>	<u>Building Fund (21)</u>	<u>All Non-Major Funds*</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 211,130,639	\$ -	\$ 12,878,248	\$ 224,008,887
Local sources	<u>26,915,104</u>	<u>-</u>	<u>-</u>	<u>26,915,104</u>
Total LCFF	<u>238,045,743</u>	<u>-</u>	<u>12,878,248</u>	<u>250,923,991</u>
Federal sources	42,888,276	-	18,253,569	61,141,845
Other state sources	43,350,730	-	6,982,959	50,333,689
Other local sources	<u>6,002,646</u>	<u>99,359</u>	<u>23,969,977</u>	<u>30,071,982</u>
Total revenues	<u>330,287,395</u>	<u>99,359</u>	<u>62,084,753</u>	<u>392,471,507</u>
Expenditures:				
Certificated salaries	140,836,844	-	8,998,728	149,835,572
Classified salaries	48,608,541	-	7,930,301	56,538,842
Employee benefits	74,919,680	-	7,242,128	82,161,808
Books and supplies	13,987,347	373,443	9,314,082	23,674,872
Contract services and operating expenditures	32,732,676	1,845,020	5,620,441	40,198,137
Capital outlay	-	11,562,774	17,680,939	29,243,713
Other outgo	499,580	-	-	499,580
Debt service:				
Principal retirement	1,090,020	-	8,413,319	9,503,339
Interest	<u>48,641</u>	<u>-</u>	<u>13,081,622</u>	<u>13,130,263</u>
Total expenditures	<u>312,723,329</u>	<u>13,781,237</u>	<u>78,281,560</u>	<u>404,786,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,564,066</u>	<u>(13,681,878)</u>	<u>(16,196,807)</u>	<u>(12,314,619)</u>
Other financing sources (uses):				
Operating transfers in	1,030,320	-	6,306,399	7,336,719
Operating transfers out	(4,733,973)	(147,426)	(2,455,320)	(7,336,719)
Proceeds from the sale of bonds, including premium	<u>-</u>	<u>66,109,680</u>	<u>-</u>	<u>66,109,680</u>
Total other financing sources (uses)	<u>(3,703,653)</u>	<u>65,962,254</u>	<u>3,851,079</u>	<u>66,109,680</u>
Change in fund balances	13,860,413	52,280,376	(12,345,728)	53,795,061
Fund balances, July 1, 2013	<u>51,230,228</u>	<u>22,299,012</u>	<u>61,825,986</u>	<u>135,355,226</u>
Fund balances, June 30, 2014	<u>\$ 65,090,641</u>	<u>\$ 74,579,388</u>	<u>\$ 49,480,258</u>	<u>\$ 189,150,287</u>

* Refer to page 67

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - Total Governmental Funds	\$ 53,795,061
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	31,499,244
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(13,303,758)
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net position. Amounts recognized in government funds as proceeds from debt, net of issue premium or discount, were (Note 6):	(66,109,680)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	9,503,339
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	(13,762)
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6)	590,586
Accreted interest is an expense that is not recorded in the governmental funds (Note 6)	(4,765,128)
In governmental funds, COPS premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6)	6,096

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES

(Continued)

For the Year Ended June 30, 2014

In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	\$ (856,077)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. The change in net position for the Self-Insurance Fund was:	678,882
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis (Note 6).	(1,642,498)
In government funds, expenditures related to the Public Agency Retirement Services (PARS) are measured by the amounts paid in the year. In the statement of activities, PARS is recognized on the accrual basis (Note 6).	3,070,573
In government funds, debt insurance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt insurance costs are amortized over the life of debt.	90,102
In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>114,740</u>
Change in net position of governmental activities	<u>\$ 12,657,720</u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND

June 30, 2014

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 23,007,522
Cash with Fiscal Agent	767,270
Receivables	204,109
Prepaid expenditures	<u>250,028</u>
Total current assets	<u>24,228,929</u>

LIABILITIES

Accounts payable	1,250,389
Claims liability, current	2,000,000
Due to other funds	<u>217</u>
Total current liabilities	3,250,606
Claims liability, less current portion	<u>15,736,000</u>
Total liabilities	<u>18,986,606</u>

NET POSITION

Restricted	<u><u>\$ 5,242,323</u></u>
------------	----------------------------

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2014

Operating revenues:	
Self-insurance premiums	\$ 16,819,614
Other local revenues	<u>105,560</u>
Total operating revenues	<u>16,925,174</u>
Operating expenses:	
Classified salaries	316,153
Employee benefits	135,765
Books and supplies	142,070
Contract services	<u>15,705,089</u>
Total operating expenses	<u>16,299,077</u>
Operating income	626,097
Non-operating income:	
Interest income	<u>52,785</u>
Change in net position	678,882
Total net position, July 1, 2013	<u>4,563,441</u>
Total net position, June 30, 2014	<u><u>\$ 5,242,323</u></u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 16,884,556
Cash paid for employee benefits	(7,106,727)
Cash paid for other expenses	<u>(6,173,416)</u>
Net cash provided by operating activities	<u>3,604,413</u>
Cash flows provided by investing activities:	
Interest income received	<u>52,785</u>
Increase in cash and investments	3,657,198
Cash and investments, July 1, 2013	<u>20,117,594</u>
Cash and investments, June 30, 2014	<u><u>\$ 23,774,792</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 626,097</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in:	
Receivables	(40,618)
Amount due from other funds	10,500
Prepaid expenses	(30,542)
Decrease (increase) in:	
Accounts payable and claims liability	3,040,756
Amount due to other funds	<u>(1,780)</u>
Total adjustments	<u>2,978,316</u>
Net cash provided by operating activities	<u><u>\$ 3,604,413</u></u>

See accompanying notes to financial statements.

**STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS**

June 30, 2014

	<u>Trust Fund</u>	<u>Agency Fund</u>
	<u>Scholarship Trust</u>	<u>Student Body Funds</u>
ASSETS		
Cash on hand and in banks (Note 2)	\$ <u>826,293</u>	\$ <u>815,096</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>815,096</u>
NET POSITION		
Restricted (Note 8)	<u><u>\$ 826,293</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

	Scholarship <u>Trust</u>
Additions:	
Contributions	\$ 25,978
Deductions:	
Contract services and operating expenditures	<u>46,037</u>
Change in net position	(20,059)
Net position, July 1, 2013	<u>846,352</u>
Net position, June 30, 2014	<u><u>\$ 826,293</u></u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stockton Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District, Stockton Unified School District Community Facilities District No. 1 (the "CFD") and Stockton Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the CFD and the Corporation as component units of the District. Therefore, the financial activities of the CFD and the Corporation have been included in the basic financial statements of the District as a Blended Component Unit.

The following are those aspects of the relationship between the District, the CFD and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100* criteria:

A - Manifestations of Oversight

1. The CFD's and Corporation's Board of Directors were appointed by the District's Board of Education.
2. The Corporation has no employees. The District's Superintendent and Chief Business Official function as agents of the Corporation. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the CFD and the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the CFD and the Corporation.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the CFD and the Corporation must have the consent of the District.
2. Any deficits incurred by the CFD and the Corporation will be reflected in the lease payments of the District. Any surpluses of the CFD and the Corporation revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the CFD and the Corporation.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the CFD and the Corporation.

C - Scope of Public Service and Financial Presentation

1. The CFD and the Corporation were created for the sole purpose of financially assisting the District.
2. The CFD is a legally-constituted governmental entity, established under the authority of the Mello-Roos Community Facilities Act of 1982. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The CFD and the Corporation were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all CFD and the Corporation facilities. When the CFD's and the Corporation's long-term liabilities have been paid with state reimbursements and the District's developer fees, title of all CFD and the Corporation property will pass to the District for no additional consideration.
3. The CFD's financial activity is presented in the financial statements as the Mello-Roos Fund. The Corporation's financial activity is presented in the financial statements as the Capital Facilities Fund.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure and a focus on the major funds.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be 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. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

1. General Fund (01):

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Major Funds (Continued)

2. Building Fund (21):

The Building Fund is used to account for resources used for the acquisition or construction of capital facilities by the District.

B - Other Funds

1. Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Charter School, Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

2. Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Capital Facilities, County School Facilities, Special Reserve for Capital Outlay Projects and Mello-Roos Funds.

3. Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption, Tax Override and Debt Service Funds.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds (Continued)

4. Self-Insurance Fund:

The Self-Insurance Fund is an Internal Service Fund used to account for services rendered on a cost-reimbursement basis within the District. The Self-Insurance Fund is used to provide workers' compensation, dental and vision benefits to employees of the District.

5. Scholarship Trust Fund:

The Scholarship Trust Fund is used to account for assets held by the District as Trustee.

6. Student Body Funds:

Student Body Funds are used to account for revenues and expenditures of the various student body organizations. All cash activity, assets and liabilities of the various student bodies of the District are accounted for in Student Body Funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables

Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

Stores Inventory

Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets

Capital assets purchased or acquired, with an original cost of \$50,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled \$13,762.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences totaling \$4,620,427 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Investment in Capital Assets

Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues and state programs represent programs where the revenue received is restricted for expenditures only in that particular program. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position which the District plans to expend on debt repayment. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self-insurance represents the portion of net position restricted for self-insurance payments. The restriction for scholarships represents the portion of net position to be used to provide financial assistance to students of the District. It is the District's policy to first spend restricted net position when allowable expenditures are incurred.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2014, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2014, the Board of Education has designated the Chief Business Official with the authority to assign fund balances.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2014, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 15 and March 15. Unsecured property taxes are due in one installment on or before August 31. The County of San Joaquin bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of basic 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact in the District.

In June 2012 GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 56,086,413	\$ 23,007,522	\$ 79,093,935	\$ -
Cash in County Treasury - restricted for capital projects	<u>82,200,182</u>	<u>-</u>	<u>82,200,182</u>	<u>-</u>
Total pooled funds	<u>138,286,595</u>	<u>23,007,522</u>	<u>161,294,117</u>	<u>-</u>
Deposits:				
Cash on hand and in banks	12,038	-	12,038	1,641,389
Cash in revolving fund	<u>72,500</u>	<u>-</u>	<u>72,500</u>	<u>-</u>
Total deposits	<u>84,538</u>	<u>-</u>	<u>84,538</u>	<u>1,641,389</u>
Investments:				
Cash with Fiscal Agent	<u>10,100,575</u>	<u>767,270</u>	<u>10,867,845</u>	<u>-</u>
Total cash and investments	<u>\$ 148,471,708</u>	<u>\$ 23,774,792</u>	<u>\$ 172,246,500</u>	<u>\$ 1,641,389</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the San Joaquin County Treasurer may invest in derivative securities. However, at June 30, 2014, the San Joaquin County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk - Deposits

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts was \$1,725,927 and the bank balance was \$1,802,047. The total uninsured bank balance at June 30, 2014 was \$1,552,047.

Investments

The Cash with Fiscal Agent in the Governmental Funds represents Debt proceeds that have been set aside for capital projects and the repayment of long-term liabilities. These amounts are held by a third party custodian in the District's name.

The Cash with Fiscal Agent in the Proprietary Fund represents cash segregated for the future payment of self-insured benefits. These amounts are held by a third party custodian in the District's name.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2014 were as follows:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 859,884	\$ 550,614
Building	582	1,917
Non-Major Funds:		
Charter School	428,540	552,112
Adult Education	-	114,051
Child Development	45,828	117,969
Cafeteria	48,441	42,988
Capital Facilities	-	65
Special Reserve for Capital Outlay Projects	-	3,342
Proprietary Fund:		
Self-Insurance	-	217
Totals	\$ 1,383,275	\$ 1,383,275

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Interfund transfers for the 2013-2014 fiscal year were as follows:

Transfer from the General Fund to the Charter School Fund to cover deficit spending of two charter schools.	\$ 282,446
Transfer from the General Fund to the Adult Education Fund for LCFF funding.	2,457,876
Transfer from the General Fund to the Cafeteria Fund to cover unallowable expenditures.	493,651
Transfer from the General Fund to the Deferred Maintenance Fund for deferred maintenance projects.	1,500,000
Transfer from the Adult Education Fund to the General Fund for indirect costs.	107,191
Transfer from the Child Development Fund to the General Fund for indirect costs.	163,469
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	759,660
Transfer from the Building fund to the Special Reserve Fund for reimbursement of expenditures.	147,426
Transfer from the Bond Interest and Redemption Fund to the Debt Service Fund for the Qualified School Construction Bonds.	<u>1,425,000</u>
	<u>\$ 7,336,719</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, <u>2013</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2014</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 25,735,353	\$ -	\$ -	\$ 25,735,353
Work-in-process	120,482,985	31,390,031	(128,801,343)	23,071,673
Depreciable:				
Buildings	534,371,526	-	126,877,820	661,249,346
Site improvements	7,574,090	-	-	7,574,090
Equipment	<u>18,950,211</u>	<u>109,213</u>	<u>1,854,309</u>	<u>20,913,733</u>
Totals, at cost	<u>707,114,165</u>	<u>31,499,244</u>	<u>(69,214)</u>	<u>738,544,195</u>
Less accumulated depreciation:				
Buildings	(157,772,702)	(11,509,102)	-	(169,281,804)
Site improvements	(3,959,808)	(265,095)	-	(4,224,903)
Equipment	<u>(12,749,033)</u>	<u>(1,529,561)</u>	<u>(69,214)</u>	<u>(14,209,380)</u>
Total accumulated depreciation	<u>(174,481,543)</u>	<u>(13,303,758)</u>	<u>(69,214)</u>	<u>(187,716,087)</u>
Capital assets, net	<u>\$ 532,632,622</u>	<u>\$ 18,195,486</u>	<u>\$ -</u>	<u>\$ 550,828,108</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,803,529
Home to school	1,305,896
Food services	42,598
All other general administration	78,082
Centralized Data Processing	30,744
Plant services	<u>42,909</u>
Total depreciation expense	<u>\$ 13,303,758</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. RISK MANAGEMENT/CLAIMS LIABILITIES

The District has established a Self-Insurance Fund to account for employee vision benefits, employee dental benefits and workers' compensation plans. The employee vision and dental plans are self insured and contract with a third party administrator for benefits processing. Until July 31, 1998 and from July 1, 2001 through June 30, 2005, the workers' compensation plan provided coverage up to \$250,000 and purchased excess insurance for claims over the retained coverage limit. Between August 1, 1998 and June 30, 2001, and after July 1, 2005, the District purchased insurance for the workers' compensation coverage.

The liability for unpaid claims and claim adjustment expenses represents the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These claims will be paid in future years.

District management recomputes the liability annually using available updated claims data. Every three years, the District contracts with an actuary who performs an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The liability for workers compensation is based on an actuarial study dated June 30, 2014.

The liabilities for unpaid claims and claim adjustment expenses are as follows:

	June 30, <u>2014</u>	June 30, <u>2013</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 13,580,000	\$ 12,086,000
Total incurred claims and claim adjustment expenses	6,202,708	3,879,739
Total payments	<u>(2,046,708)</u>	<u>(2,385,739)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 17,736,000</u>	<u>\$ 13,580,000</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES

General Obligation Bonds

Series 2006:

On February 8, 2006, the District issued General Obligation Bonds, Series 2006, totaling \$60,000,000. The bonds bear interest at rates ranging from 4.00% to 5.00% and are scheduled to mature through September 2030 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 895,000	\$ 2,412,525	\$ 3,307,525
2016	1,090,000	2,367,375	3,457,375
2017	1,300,000	2,314,125	3,614,125
2018	1,525,000	2,257,625	3,782,625
2019	1,770,000	2,191,725	3,961,725
2020-2024	13,180,000	9,408,425	22,588,425
2025-2029	22,765,000	5,613,689	28,378,689
2030-2031	<u>12,635,000</u>	<u>588,201</u>	<u>13,223,201</u>
	<u>\$ 55,160,000</u>	<u>\$ 27,153,690</u>	<u>\$ 82,313,690</u>

Series 2007:

On July 12, 2007, the District issued General Obligation Bonds, Series 2007, totaling \$60,000,000. The bonds bear interest at rates ranging from 4.00% to 5.00% and are scheduled to mature through August 2031 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,960,000	\$ 2,467,588	\$ 4,427,588
2016	2,015,000	2,425,938	4,440,938
2017	2,080,000	2,383,119	4,463,119
2018	2,150,000	2,340,300	4,490,300
2019	2,220,000	2,288,300	4,508,300
2020-2024	12,125,000	8,577,750	20,702,750
2025-2029	13,120,000	5,446,638	18,566,638
2030-2032	<u>15,265,000</u>	<u>1,505,625</u>	<u>16,770,625</u>
	<u>\$ 50,935,000</u>	<u>\$ 27,435,258</u>	<u>\$ 78,370,258</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

2008 Series A:

On May 6, 2008, the District issued 2008 General Obligation Bonds, Series A, totaling \$65,000,000. The bonds bear interest at rates ranging from 4.00% to 5.00% and are scheduled to mature through August 2032 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,100,000	\$ 2,517,175	\$ 4,617,175
2016	2,200,000	2,431,175	4,631,175
2017	2,300,000	2,341,175	4,641,175
2018	2,300,000	2,249,175	4,549,175
2019	2,400,000	2,155,175	4,555,175
2020-2024	13,300,000	9,199,000	22,499,000
2025-2029	16,400,000	5,745,438	22,145,438
2030-2033	<u>16,000,000</u>	<u>1,566,575</u>	<u>17,566,575</u>
	<u>\$ 57,000,000</u>	<u>\$ 28,204,888</u>	<u>\$ 85,204,888</u>

2008 Series B:

On December 17, 2009, the District issued 2008 General Obligation Bonds, Series B, Qualified School Construction Bonds, totaling \$16,040,000. The bonds bear coupon rate of 2.19% and are scheduled to mature through December 2025 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 351,276	\$ 351,276
2016	-	351,276	351,276
2017	-	351,276	351,276
2018	-	351,276	351,276
2019	-	351,276	351,276
2020-2024	-	1,756,380	1,756,380
2025-2026	<u>16,040,000</u>	<u>351,276</u>	<u>16,391,276</u>
	<u>\$ 16,040,000</u>	<u>\$ 3,864,036</u>	<u>\$ 19,904,036</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

2008 Series C:

On July 22, 2010, the District issued 2008 General Obligation Bonds, Series C, Qualified School Construction Bonds, totaling \$14,930,000. The bonds bear coupon rates from 5.170% to 7.080% and are scheduled to mature through August 2027 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 961,342	\$ 961,342
2016	-	961,342	961,342
2017	1,830,000	914,037	2,744,037
2018	855,000	843,197	1,698,197
2019	960,000	791,920	1,751,920
2020-2024	6,065,000	2,875,713	8,940,713
2025-2028	<u>5,220,000</u>	<u>747,294</u>	<u>5,967,294</u>
	<u>\$ 14,930,000</u>	<u>\$ 8,094,845</u>	<u>\$ 23,024,845</u>

2008 Series D:

On May 18, 2011, the District issued 2008 General Obligation Bonds, Series D, totaling \$56,146,497. The Bonds are issued as capital appreciation bonds and capital appreciation bonds that convert to current interest bonds. Interest on the Capital Appreciation Bonds will be compounded on August 1, 2011 and each February 1 and August 1 thereafter to maturity. The bonds bear coupon rates from 5.890% to 7.720% and are scheduled to mature through July 2050 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2024	\$ 496,028	\$ -	\$ 496,028
2025-2029	4,733,539	9,135,705	13,869,244
2030-2034	3,732,713	30,452,350	34,185,063
2035-2039	8,293,542	30,452,350	38,745,892
2040-2044	8,064,276	30,452,350	38,516,626
2045-2049	13,412,093	27,505,670	40,917,763
2050-2051	<u>17,414,306</u>	<u>4,427,625</u>	<u>21,841,931</u>
	<u>\$ 56,146,497</u>	<u>\$ 132,426,050</u>	<u>\$ 188,572,547</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

2011 Refunding Bonds:

On May 2011, the District issued 2011 General Obligation Refunding Bonds totaling \$14,175,000. The Refunding Bonds were issued to provide funds to refund all or part of the Series 2001 and 2003 General Obligation Bonds and to pay cost of issuance of the Refunding Bond. The bonds bear coupon rates from 2.00% to 5.00% and are scheduled to mature through July 2021 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 955,000	\$ 518,450	\$ 1,473,450
2016	990,000	480,250	1,470,250
2017	2,125,000	440,650	2,565,650
2018	2,205,000	355,650	2,560,650
2019	2,280,000	267,450	2,547,450
2020-2022	<u>3,525,000</u>	<u>234,500</u>	<u>3,759,500</u>
	<u>\$ 12,080,000</u>	<u>\$ 2,296,950</u>	<u>\$ 14,376,950</u>

2012 Refunding Bonds:

On October 16, 2012, the District issued 2012 General Obligation Refunding Bonds totaling \$43,570,000. The Refunding Bonds were issued to provide funds to refund all or part of the Series 2001, 2003 and 2004 General Obligation Bonds and to pay cost of issuance of the Refunding Bond. The bonds bear coupon rates from 3.00% to 5.00% and are scheduled to mature through January 2029 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,860,000	\$ 1,884,100	\$ 3,744,100
2016	1,920,000	1,828,300	3,748,300
2017	1,000,000	1,751,500	2,751,500
2018	1,035,000	1,711,500	2,746,500
2019	1,090,000	1,659,750	2,749,750
2020-2024	15,075,000	6,880,000	21,955,000
2025-2029	<u>17,030,000</u>	<u>2,210,750</u>	<u>19,240,750</u>
	<u>\$ 39,010,000</u>	<u>\$ 17,925,900</u>	<u>\$ 56,935,900</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

2012 Reauthorization, Series A:

On February 19, 2014, the District issued 2012 General Obligation Reauthorization Bonds, Series A, totaling \$65,000,000. The bonds bear interest at rates ranging from 3.00% to 5.00% and are scheduled to mature through August 2043 as follows:

Year Ended <u>June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,680,000	\$ 2,658,488	\$ 6,338,488
2016	2,535,000	2,844,831	5,379,831
2017	-	2,794,131	2,794,131
2018	-	2,794,131	2,794,131
2019	-	2,794,131	2,794,131
2020-2024	1,800,000	12,471,091	14,271,091
2025-2029	5,750,000	13,036,906	18,786,906
2030-2034	11,030,000	11,287,638	22,317,638
2035-2039	18,255,000	8,253,900	26,508,900
2040-2043	<u>21,950,000</u>	<u>2,795,575</u>	<u>24,745,575</u>
	<u>\$ 65,000,000</u>	<u>\$ 61,730,822</u>	<u>\$ 126,730,822</u>

Certificates of Participation (COPs)

In February 2007, the District issued Certificates of Participation in the amount of \$45,050,000 with interest rates from 4.00% to 5.00%, maturing on February 1, 2036. The proceeds of 2007 Certificates were used to provide funds to refund and defease the 1997 Certificates for the amount of \$13,186,141 and to establish the 2004 Escrow Fund of \$17,372,438 to secure the interest payments of 2007 Certificates and for the redemption of 2004 Certificates on February 1, 2013. The remaining proceeds of \$15,000,000 were allocated to capital projects.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs) (Continued)

Scheduled payments for the COPs are as follows:

<u>Year Ending June 30.</u>	<u>COPs Payments</u>
2015	\$ 2,619,890
2016	2,620,640
2017	2,618,890
2018	2,619,640
2019	2,622,640
2020-2024	13,097,455
2025-2029	13,091,469
2030-2034	13,094,350
2035-2036	<u>5,238,450</u>
Total payments	57,623,424
Less amount representing interest	<u>(21,363,424)</u>
Net present value of minimum payments	<u>\$ 36,260,000</u>

Qualified Zone Academy Bonds

On November 24, 2003, the District issued \$5,000,000 in Qualified Zone Academy Bonds and entered into a purchase contract in the amount of \$5,000,000 with Bank of the West, whereby the Bank agreed to finance the acquisition of certain improvements to the District's Stockton Center, Stagg, Edison and Franklin High Schools to modernize the business and automotive programs and sell the improvements to the District upon specified terms and conditions. Under the terms of the contract, the District has deposited \$2,729,105 with the Bank as collateral for the bonds, which the Bank will hold for the account of the District in the form of a certificate of deposit bearing interest at 4.119 percent per annum, compounded monthly, and payable on November 24, 2018. The certificate of deposit together with the interest earnings will be sufficient to repay the Bonds which mature on November 24, 2018.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Redevelopment Agency Repayment

Starting in 2012, the District is required to pay annual installments to the State of California. These payments are to return funds to the State of California related to excess apportionment received by the District in prior years.

Scheduled payments are as follows:

Year Ending <u>June 30.</u>	
2015	\$ <u>248,240</u>
Less amount representing interest	<u>(6,055)</u>
Net present value of minimum payments	\$ <u><u>242,185</u></u>

Capital Lease Obligations

During 2013, the District entered into an interest free capital lease agreement for a copier. The scheduled payments for the capital lease are as follows:

Year Ending <u>June 30.</u>	
2015	\$ 25,960
2016	<u>6,490</u>
Total payments	\$ <u><u>32,450</u></u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Capital Lease Obligations (Continued)

During 2013, the District entered into an interest free capital lease agreement for equipment. The scheduled payments for the capital lease are as follows:

Year Ending <u>June 30,</u>	
2015	<u>\$ 18,389</u>

During 2013, the District entered into a capital lease agreement with Kansas State Bank of Manhattan to finance the purchase of 31 buses. The scheduled payments for the capital lease are as follows:

Year Ending <u>June 30,</u>	
2015	\$ 406,547
2016	406,547
2017	<u>406,547</u>
Total payments	1,219,641
Less amount representing interest	<u>(66,131)</u>
Net present value of minimum payments	<u>\$ 1,153,510</u>

Post-Employment Healthcare Benefits

In addition to the pension benefits described in Note 8, the District provides post-employment health care benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service, in accordance with contracts between the District and employee groups. As of June 30, 2014, 531 retirees met these eligibility requirements. Benefits are provided for retirees age 55 to 65. The District pays up to \$1,095 per month for health benefits of retirees on a pay-as-you-go basis.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Post-Employment Healthcare Benefits (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 7,191,425
Interest on net OPEB obligation	954,181
Adjustment to annual required contribution	<u>(1,010,565)</u>
Annual OPEB cost (expense)	7,135,041
Contributions made	<u>(5,492,543)</u>
Increase in net OPEB obligation	1,642,498
Net OPEB obligation - beginning of year	<u>21,204,022</u>
Net OPEB obligation - end of year	<u><u>\$ 22,846,520</u></u>

See also the Required Supplementary Information.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2012	\$ 9,151,460	47.6%	\$ 18,638,418
June 30, 2013	\$ 7,297,461	64.8%	\$ 21,204,022
June 30, 2014	\$ 7,135,041	77.0%	\$ 22,846,520

As of June 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$85.8 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$85.8. The covered payroll (annual payroll of active employees covered by the Plan) was \$193 million, and the ratio of the UAAL to the covered payroll was 44 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Post-Employment Healthcare Benefits (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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 30 years.

Public Agency Retirement Services (PARS)

During the fiscal years ended June 30, 2009 and 2010, the District provided the option of a one-time Supplemental Employee Retirement Plan (SERP) to the District employees. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

The annual requirements to amortize the SERP liability outstanding as of June 30, 2014 are as follows:

Year Ending
June 30,

2015

\$ 1,238,783

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 308,636,497	\$ 65,000,000	\$ 7,335,000	\$ 366,301,497	\$ 11,450,000
General Obligation Bonds Premium	8,781,002	1,109,680	590,586	9,300,096	293,945
Accreted interest	7,236,859	4,765,128	-	12,001,987	-
Certificates of Participation	37,200,000	-	940,000	36,260,000	985,000
Certificates of Participation Premium	138,163	-	6,096	132,067	6,096
Capitalized lease obligations	1,622,799	-	418,450	1,204,349	418,137
Qualified Zone Academy Bonds	5,000,000	-	-	5,000,000	-
Charter School Loan	83,334	-	83,334	-	-
Redevelopment Agency Repayment	968,740	-	726,555	242,185	242,185
Post-employment healthcare benefits	21,204,022	7,135,041	5,492,543	22,846,520	-
PARS Liability	4,309,356	-	3,070,573	1,238,783	1,238,783
Compensated absences	4,735,167	-	114,740	4,620,427	-
	<u>\$ 399,915,939</u>	<u>\$ 78,009,849</u>	<u>\$ 18,777,877</u>	<u>\$ 459,147,911</u>	<u>\$ 14,634,146</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the capitalized lease obligations are made from the General Fund and Cafeteria Fund. Payments on the Qualified Zone Academy Bonds are made from the Debt Service Fund. Payments on the Charter School Loan are made from the Charter School Fund. Payments on the Redevelopment Agency Repayment are made from the General Fund. Payments on post-employment benefits, PARS liability and compensated absences are made from the fund for which the related employee worked.

7. RESTRICTED NET POSITION / FUND BALANCE

Restricted net position consisted of the following at June 30, 2014:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>
Restricted for unspent categorical program revenues	\$ 13,226,009	\$ -
Restricted for special revenues	16,389,418	-
Restricted for debt service	24,555,351	-
Restricted for capital projects	4,995,105	-
Restricted for self-insurance	5,242,323	-
Restricted for scholarships	-	826,293
	<u>\$ 64,408,206</u>	<u>\$ 826,293</u>
Total restricted net position		

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. RESTRICTED NET POSITION / FUND BALANCE (Continued)

Fund balances, by category, at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 70,000	\$ -	\$ 2,500	\$ 72,500
Prepaid expenditures	1,256,502	-	9,881	1,266,383
Stores inventory	<u>1,188,237</u>	<u>-</u>	<u>451,660</u>	<u>1,639,897</u>
Subtotal nonspendable	<u>2,514,739</u>	<u>-</u>	<u>464,041</u>	<u>2,978,780</u>
Restricted:				
Unspent categorical revenues	13,226,009	-	-	13,226,009
Special revenue programs	-	-	15,925,377	15,925,377
Capital projects	-	74,579,388	8,535,489	83,114,877
Debt service	<u>-</u>	<u>-</u>	<u>24,555,351</u>	<u>24,555,351</u>
Subtotal restricted	<u>13,226,009</u>	<u>74,579,388</u>	<u>49,016,217</u>	<u>136,821,614</u>
Assigned:				
Vacation liability	1,660,889	-	-	1,660,889
Legal liability	230,743	-	-	230,743
Lottery - one time	<u>3,409,249</u>	<u>-</u>	<u>-</u>	<u>3,409,249</u>
Subtotal assigned	<u>5,300,881</u>	<u>-</u>	<u>-</u>	<u>5,300,881</u>
Unassigned:				
Designated for economic uncertainty	6,328,540	-	-	6,328,540
Unassigned	<u>37,720,472</u>	<u>-</u>	<u>-</u>	<u>37,720,472</u>
Subtotal unassigned	<u>44,049,012</u>	<u>-</u>	<u>-</u>	<u>44,049,012</u>
Total fund balances	<u>\$ 65,090,641</u>	<u>\$ 74,579,388</u>	<u>\$ 49,480,258</u>	<u>\$189,150,287</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$5,089,028, \$4,619,116 and \$4,668,479, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$11,562,625, \$11,942,624 and \$12,094,365, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly 1469 which will increase the member contribution to 19.1% over the next seven years.

9. JOINT POWERS AGREEMENTS

The District participates in two joint ventures under joint powers agreements.

Northern California Regional Liability Excess Fund

The District is a member with other districts in San Joaquin County and the San Joaquin County Office of Education in Northern California Regional Liability Excess Fund (NCRReLIEF) for the operation of a common risk management and insurance program. NCRReLIEF is governed by a board consisting of representatives of member districts. The board controls the operations of NCRReLIEF, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Condensed audited financial information for NCRReLIEF for the year ended June 30, 2013 (the latest information available) is as follows:

Total assets	\$ 68,154,000
Total liabilities	\$ 43,117,190
Total net position	\$ 25,036,810
Total revenues	\$ 16,785,404
Total expenditures	\$ 21,921,952
Change in net position	\$ (5,136,548)

School Project for Utility Rate Reduction

The District is also a member in School Project for Utility Rate Reduction (SPURR), which is a California joint powers authority, whose members are California public K-12 school districts, community college districts and county offices of education. SPURR provides members access to the wholesale natural gas market that would otherwise be unavailable to them.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AGREEMENTS (Continued)

School Project for Utility Rate Reduction (Continued)

Condensed audit information for SPURR for the year ended June 30, 2013 (the latest information available) is as follows:

Total assets	\$ 11,359,666
Total liabilities	\$ 5,324,009
Total net position	\$ 6,035,657
Total revenue	\$ 30,256,938
Total expenditures	\$ 30,640,698
Change in net position	\$ (383,760)

The relationship between the District and the Joint Powers Authorities is such that they are not component units of the District for financial reporting purposes.

10. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

Construction Commitments

As of June 30, 2014, the District has \$25,624,945 in outstanding commitments on construction contracts.

11. SUBSEQUENT EVENTS

In August 2014, the District issued General Obligation Refunding Bonds, Series 2014A (Tax Exempt) and 2014B (Federally Taxable), totaling \$35,620,000 and \$1,485,000, respectively. The General Obligation Refunding Bonds Series 2014A and 2014B are being issued by the District to refund outstanding general obligation bonds of the District and to pay capitalized interest on the Refunding Bonds. The bonds are payable from *ad valorem taxes* levied on taxable property in the District.

The General Obligation Refunding Bonds, Series 2014A bear interest at rates ranging from 4.00% to 5.00% and are scheduled to mature through August 2039.

The General Obligation Refunding Bonds, Series 2014B bear interest at rates ranging from 1.35% to 2.33% and are scheduled to mature through August 2019.

REQUIRED SUPPLEMENTARY INFORMATION

STOCKTON UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 134,055,943	\$ 205,073,570	\$ 211,130,639	\$ 6,057,069
Local sources	<u>37,687,155</u>	<u>31,963,162</u>	<u>26,915,104</u>	<u>(5,048,058)</u>
Total LCFF	<u>171,743,098</u>	<u>237,036,732</u>	<u>238,045,743</u>	<u>1,009,011</u>
Federal sources	45,727,964	60,327,920	42,888,276	(17,439,644)
Other state sources	78,867,487	45,250,186	43,350,730	(1,899,456)
Other local sources	<u>4,410,983</u>	<u>5,877,110</u>	<u>6,002,646</u>	<u>125,536</u>
Total revenues	<u>300,749,532</u>	<u>348,491,948</u>	<u>330,287,395</u>	<u>(18,204,553)</u>
Expenditures:				
Certificated salaries	131,018,236	144,489,437	140,836,844	3,652,593
Classified salaries	45,016,168	47,496,715	48,608,541	(1,111,826)
Employee benefits	70,519,576	76,142,642	74,919,680	1,222,962
Books and supplies	29,551,619	43,998,196	13,987,347	30,010,849
Contract services and operating expenditures	33,516,681	37,075,770	32,732,676	4,343,094
Capital outlay	7,171	2,000	-	2,000
Other outgo	452,449	157,206	499,580	(342,374)
Debt service:				
Principal retirement	31,391	648,732	1,090,020	(441,288)
Interest	<u>271,058</u>	<u>73,357</u>	<u>48,641</u>	<u>24,716</u>
Total expenditures	<u>310,384,349</u>	<u>350,084,055</u>	<u>312,723,329</u>	<u>37,360,726</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(9,634,817)</u>	<u>(1,592,107)</u>	<u>17,564,066</u>	<u>19,156,173</u>
Other financing sources (uses):				
Operating transfers in	1,000,000	1,500,000	1,030,320	(469,680)
Operating transfers out	<u>2,405,524</u>	<u>2,536,494</u>	<u>(4,733,973)</u>	<u>(7,270,467)</u>
Total other financing sources (uses)	<u>3,405,524</u>	<u>4,036,494</u>	<u>(3,703,653)</u>	<u>(7,740,147)</u>
Change in fund balance	(6,229,293)	2,444,387	13,860,413	11,416,026
Fund balance, July 1, 2013	<u>51,230,228</u>	<u>51,230,228</u>	<u>51,230,228</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 45,000,935</u>	<u>\$ 53,674,615</u>	<u>\$ 65,090,641</u>	<u>\$ 11,416,026</u>

See accompanying notes to required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2014

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 1, 2012	\$ -	\$74.1 million	\$74.1 million	0%	\$194 million	39%
June 1, 2013	\$ -	\$90.8 million	\$90.8 million	0%	\$202 million	38%
June 1, 2014	\$ -	\$85.8 million	\$85.8 million	0%	\$193 million	44%

See accompanying notes to required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - 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 States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excess of expenditures over appropriations for the year ended June 30, 2014 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Classified salaries	\$ 1,111,826

These excesses are not in accordance with Education Code 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

STOCKTON UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2014

	Charter School Fund (09)	Adult Education Fund (11)	Child Develop- ment Fund (12)	Cafeteria Fund (13)	Deferred Mainten- ance Fund (14)	Capital Facilities Fund (25)	County School Facilities Fund (35)	Special Reserve for Capital Outlay Projects Fund (40)	Mello- Roos Fund (49)	Bond Interest and Redemption Fund (51)	Tax Override Fund (53)	Debt Service Fund (56)	Total
ASSETS													
Cash in County Treasury	\$ 270,717	\$ 452,347	\$ 202,327	\$ 10,860,338	\$ 1,696,594	\$ 5,251,152	\$ 26,894	\$ -	\$ 1,521	\$ 16,400,652	\$ 13,214	\$ 3,380	\$ 35,179,136
Cash in County Treasury restricted for capital projects	-	-	-	-	-	-	-	4,643,222	-	-	-	-	4,643,222
Cash on hand and in banks	-	2,000	-	10,038	-	-	-	-	-	-	-	-	12,038
Cash in revolving fund	-	-	-	2,500	-	-	-	-	-	-	-	-	2,500
Cash with Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	8,126,748	8,126,748
Receivables	2,372,239	690,378	319,017	2,500,871	693	3,460	17	17,938	-	11,347	8	2	5,915,970
Store inventory	-	-	-	451,660	-	-	-	-	-	-	-	-	451,660
Due from other funds	428,540	-	45,828	48,441	-	-	-	-	-	-	-	-	522,809
Prepaid expenditures	4,570	1,411	-	3,900	-	-	-	-	-	-	-	-	9,881
Total assets	\$ 3,076,066	\$ 1,146,136	\$ 567,172	\$ 13,877,748	\$ 1,697,287	\$ 5,254,612	\$ 26,911	\$ 4,661,160	\$ 1,521	\$ 16,411,999	\$ 13,222	\$ 8,130,130	\$ 54,863,964
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ 726,854	\$ 388,052	\$ 253,330	\$ 1,638,630	\$ 95,908	\$ 286,418	\$ -	\$ 1,118,955	\$ -	\$ -	\$ -	\$ -	\$ 4,508,147
Unearned revenue	43,670	-	1,362	-	-	-	-	-	-	-	-	-	45,032
Due to other funds	552,112	114,051	117,969	42,988	65	-	-	3,342	-	-	-	-	830,527
Total liabilities	1,322,636	502,103	372,661	1,681,618	95,973	286,418	-	1,122,297	-	-	-	-	5,383,706
Fund balances:													
Nonspendable	4,570	1,411	-	458,060	-	-	-	-	-	-	-	-	464,041
Restricted	1,748,860	642,622	194,511	11,738,070	1,601,314	4,968,194	26,911	3,538,863	1,521	16,411,999	13,222	8,130,130	49,016,217
Total fund balances	1,753,430	644,033	194,511	12,196,130	1,601,314	4,968,194	26,911	3,538,863	1,521	16,411,999	13,222	8,130,130	49,480,258
Total liabilities and fund balances	\$ 3,076,066	\$ 1,146,136	\$ 567,172	\$ 13,877,748	\$ 1,697,287	\$ 5,254,612	\$ 26,911	\$ 4,661,160	\$ 1,521	\$ 16,411,999	\$ 13,222	\$ 8,130,130	\$ 54,863,964

STOCKTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2014

	Charter School Fund (09)	Adult Education Fund (11)	Child Develop- ment Fund (12)	Cafeteria Fund (13)	Deferred Mainte- nance Fund (14)	Capital Facilities Fund (25)	County School Facilities Fund (35)	Special Reserve for Capital Outlay Projects Fund (40)	Mello- Roos Fund (49)	Bond Interest and Redemption Fund (51)	Tax Override Fund (53)	Debt Service Fund (56)	Total
Revenues:													
State apportionment	\$ 12,878,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,878,248
Federal sources	-	834,325	-	17,419,244	-	-	-	-	-	-	-	-	18,253,569
Other state sources	1,357,600	53,205	3,935,578	1,335,071	-	-	-	-	-	301,505	-	-	6,982,959
Other local sources	<u>193,505</u>	<u>52,458</u>	<u>80,504</u>	<u>371,969</u>	<u>2,206</u>	<u>908,798</u>	<u>67</u>	<u>29,478</u>	<u>1</u>	<u>22,164,634</u>	<u>31</u>	<u>166,326</u>	<u>23,969,977</u>
Total revenues	<u>\$ 14,429,353</u>	<u>939,988</u>	<u>4,016,082</u>	<u>19,126,284</u>	<u>2,206</u>	<u>908,798</u>	<u>67</u>	<u>29,478</u>	<u>1</u>	<u>22,466,139</u>	<u>31</u>	<u>166,326</u>	<u>62,084,753</u>
Expenditures:													
Certificated salaries	6,225,324	1,487,325	1,286,079	-	-	-	-	-	-	-	-	-	8,998,728
Classified salaries	867,590	416,803	990,023	5,275,947	-	-	-	379,938	-	-	-	-	7,930,301
Employee benefits	2,474,566	663,601	926,536	3,023,817	-	-	-	153,608	-	-	-	-	7,242,128
Books and supplies	769,088	408,574	346,534	7,287,130	-	-	-	502,756	-	-	-	-	9,314,082
Contract services and operating expenditures	2,975,278	421,461	141,768	608,819	1,296,153	94,745	-	82,217	-	-	-	-	5,620,441
Capital outlay	328,150	-	-	2,832,033	-	1,359	-	14,519,397	-	-	-	-	17,680,939
Debt service:													
Principal retirement	83,334	-	-	54,985	-	940,000	-	-	-	7,335,000	-	-	8,413,319
Interest	<u>270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,681,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,399,462</u>	<u>-</u>	<u>-</u>	<u>13,081,622</u>
Total expenditures	<u>13,723,600</u>	<u>3,397,764</u>	<u>3,690,940</u>	<u>19,082,731</u>	<u>1,296,153</u>	<u>2,717,994</u>	<u>-</u>	<u>15,637,916</u>	<u>-</u>	<u>18,734,462</u>	<u>-</u>	<u>-</u>	<u>78,281,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>705,753</u>	<u>(2,457,776)</u>	<u>325,142</u>	<u>43,553</u>	<u>(1,293,947)</u>	<u>(1,809,196)</u>	<u>67</u>	<u>(15,608,438)</u>	<u>1</u>	<u>3,731,677</u>	<u>31</u>	<u>166,326</u>	<u>(16,196,807)</u>
Other financing sources (uses):													
Operating transfers in	282,446	2,457,876	-	493,651	1,500,000	-	-	147,426	-	-	-	1,425,000	6,306,399
Operating transfers out	<u>-</u>	<u>(107,191)</u>	<u>(163,469)</u>	<u>(759,660)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,425,000)</u>	<u>-</u>	<u>-</u>	<u>(2,455,320)</u>
Total other financing sources (uses)	<u>282,446</u>	<u>2,350,685</u>	<u>(163,469)</u>	<u>(266,009)</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>147,426</u>	<u>-</u>	<u>(1,425,000)</u>	<u>-</u>	<u>1,425,000</u>	<u>3,851,079</u>
Net change in fund balances	988,199	(107,091)	161,673	(222,456)	206,053	(1,809,196)	67	(15,461,012)	1	2,306,677	31	1,591,326	(12,345,728)
Fund balances, July 1, 2013	<u>765,231</u>	<u>751,124</u>	<u>32,838</u>	<u>12,418,586</u>	<u>1,395,261</u>	<u>6,777,390</u>	<u>26,844</u>	<u>18,999,875</u>	<u>1,520</u>	<u>14,105,322</u>	<u>13,191</u>	<u>6,538,804</u>	<u>61,825,986</u>
Fund balances, June 30, 2014	<u>\$ 1,753,430</u>	<u>\$ 644,033</u>	<u>\$ 194,511</u>	<u>\$ 12,196,130</u>	<u>\$ 1,601,314</u>	<u>\$ 4,968,194</u>	<u>\$ 26,911</u>	<u>\$ 3,538,863</u>	<u>\$ 1,521</u>	<u>\$ 16,411,999</u>	<u>\$ 13,222</u>	<u>\$ 8,130,130</u>	<u>\$ 49,480,258</u>

STOCKTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended June 30, 2014

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
Student Body Funds				
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	<u>246,142</u>	<u>920,070</u>	<u>838,461</u>	<u>327,751</u>
Total assets	<u>\$ 246,142</u>	<u>\$ 920,070</u>	<u>\$ 838,461</u>	<u>\$ 327,751</u>
Liabilities:				
Due to student groups	<u>\$ 246,142</u>	<u>\$ 920,070</u>	<u>\$ 838,461</u>	<u>\$ 327,751</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	<u>427,823</u>	<u>1,043,640</u>	<u>984,118</u>	<u>487,345</u>
Total assets	<u>\$ 427,823</u>	<u>\$ 1,043,640</u>	<u>\$ 984,118</u>	<u>\$ 487,345</u>
Liabilities:				
Due to student groups	<u>\$ 427,823</u>	<u>\$ 1,043,640</u>	<u>\$ 984,118</u>	<u>\$ 487,345</u>
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	<u>673,965</u>	<u>1,963,710</u>	<u>1,822,579</u>	<u>815,096</u>
Total assets	<u>\$ 673,965</u>	<u>\$ 1,963,710</u>	<u>\$ 1,822,579</u>	<u>\$ 815,096</u>
Liabilities:				
Due to student groups	<u>\$ 673,965</u>	<u>\$ 1,963,710</u>	<u>\$ 1,822,579</u>	<u>\$ 815,096</u>

STOCKTON UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2014

Stockton Unified School District was established on July 1, 1936. The District operates 41 elementary schools, and 10 high schools, including Weber Institute of Technology, Stockton Early College Academy, Stockton Alternative High School, Merlo Institute of Environmental Technology, Pacific Law Academy and Stockton Health Careers Academy. The District also maintains an adult education school, a special education school, a continuation high school, an independent study program and a child development program. There were no changes in District boundaries during the year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Kathleen Garcia	President	2016
Sal Ramirez	Member	2014
Gloria Allen	Member	2016
Colleen Keenan	Member	2016
David Varela	Member	2014
David L. Midora	Member	2014
Steve Smith	Member	2014

ADMINISTRATION

Dr. Steven Lowder
Superintendent

Michele Huntoon, CPA
Chief Business Official

Dr. Mark Hagemann
Assistant Superintendent, Educational Services

Julie Penn
Assistant Superintendent, Student Services

Thomas Anderson
Assistant Superintendent, Special Education

Craig Wells
Assistant Superintendent, Human Resources

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2014

	Second Period Report (Original)	Second Period Report (Revised)*	Annual Report
DISTRICT			
Elementary:			
Transitional Kindergarten through Third	11,682	11,683	11,687
Fourth through Sixth	7,950	7,952	7,942
Seventh and Eighth	<u>5,023</u>	<u>5,024</u>	<u>5,015</u>
Total Elementary	<u>24,655</u>	<u>24,659</u>	<u>24,644</u>
Secondary:			
Ninth through Twelfth	<u>7,830</u>	<u>7,833</u>	<u>7,742</u>
Total Secondary	<u>7,830</u>	<u>7,833</u>	<u>7,742</u>
	<u><u>32,485</u></u>	<u><u>32,492</u></u>	<u><u>32,386</u></u>

* Reflects the adjustment for disallowance of 2.84 ADA as noted in the Accompanying Schedule of Audit Findings and Questioned Costs and other adjustments made by the District subsequent to the submission of the original Second Period Report of Attendance.

	Second Period Report	Annual Report
CHARTER SCHOOL - CLASSROOM BASED		
<u>Nightingale Elementary Charter School</u>		
Elementary:		
Transitional Kindergarten through Third	156	155
Fourth through Sixth	95	96
Seventh and Eighth	<u>53</u>	<u>53</u>
<u>Pittman Elementary Charter School</u>		
Elementary:		
Transitional Kindergarten through Third	276	275
Fourth through Sixth	172	172
Seventh and Eighth	<u>104</u>	<u>103</u>
Subtotal Classroom Based	<u>856</u>	<u>854</u>

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
(Continued)
For the Year Ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
CHARTER SCHOOL - CLASSROOM BASED (Continued)		
<u>Stockton Health Careers Academy</u>		
Secondary:		
Ninth through Twelfth	374	371
<u>Pacific Law Academy</u>		
Secondary:		
Ninth through Twelfth	200	199
<u>Stockton Unified Early College Academy</u>		
Secondary:		
Ninth through Twelfth	322	321
Total Classroom Based	1,752	1,745
CHARTER SCHOOL - NON-CLASSROOM BASED		
<u>Stockton High</u>		
Secondary:		
Ninth through Twelfth	175	171
Total Non-classroom Based	175	171

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2014

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>Reduced Minutes Require- ment</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
DISTRICT					
Kindergarten	36,000	35,000	54,000	180	In Compliance
Grade 1	50,400	49,000	54,000	180	In Compliance
Grade 2	50,400	49,000	54,000	180	In Compliance
Grade 3	50,400	49,000	54,000	180	In Compliance
Grade 4	54,000	52,500	54,000	180	In Compliance
Grade 5	54,000	52,500	54,000	180	In Compliance
Grade 6	54,000	52,500	54,000	180	In Compliance
Grade 7	54,000	52,500	56,700	180	In Compliance
Grade 8	54,000	52,500	56,700	180	In Compliance
Grade 9	64,800	63,000	65,340	180	In Compliance
Grade 10	64,800	63,000	65,340	180	In Compliance
Grade 11	64,800	63,000	65,340	180	In Compliance
Grade 12	64,800	63,000	65,340	180	In Compliance
CHARTER SCHOOLS					
<u>Nightingale Elementary Charter School</u>					
Kindergarten	36,000	34,971	61,200	180	In Compliance
Grade 1	50,400	48,960	61,200	180	In Compliance
Grade 2	50,400	48,960	61,200	180	In Compliance
Grade 3	50,400	48,960	61,200	180	In Compliance
Grade 4	54,000	52,457	61,200	180	In Compliance
Grade 5	54,000	52,457	61,200	180	In Compliance
Grade 6	54,000	52,457	61,200	180	In Compliance
Grade 7	54,000	52,457	65,700	180	In Compliance
Grade 8	54,000	52,457	65,700	180	In Compliance
<u>Pittman Elementary Charter School</u>					
Kindergarten	36,000	34,971	62,400	180	In Compliance
Grade 1	50,400	48,960	62,400	180	In Compliance
Grade 2	50,400	48,960	62,400	180	In Compliance
Grade 3	50,400	48,960	62,400	180	In Compliance
Grade 4	54,000	52,457	62,400	180	In Compliance
Grade 5	54,000	52,457	62,400	180	In Compliance
Grade 6	54,000	52,457	62,400	180	In Compliance
Grade 7	54,000	52,457	65,100	180	In Compliance
Grade 8	54,000	52,457	65,100	180	In Compliance

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

(Continued)

For the Year Ended June 30, 2014

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
CHARTER SCHOOLS (Continued)					
<u>Stockton Health Careers Academy</u>					
Grade 9	64,800	62,949	66,300	180	In Compliance
Grade 10	64,800	62,949	66,300	180	In Compliance
Grade 11	64,800	62,949	66,300	180	In Compliance
Grade 12	64,800	62,949	66,300	180	In Compliance
<u>Pacific Law Academy</u>					
Grade 9	64,800	62,949	66,852	180	In Compliance
Grade 10	64,800	62,949	66,852	180	In Compliance
Grade 11	64,800	62,949	66,852	180	In Compliance
Grade 12	64,800	62,949	66,852	180	In Compliance
<u>Stockton Unified Early College Academy</u>					
Grade 9	64,800	62,949	64,828	180	In Compliance
Grade 10	64,800	62,949	64,828	180	In Compliance
Grade 11	64,800	62,949	64,828	180	In Compliance
Grade 12	64,800	62,949	64,828	180	In Compliance

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 5,762,469
84.027A	Special Education, Mental Health, Part B, Sec 619,	14468	399,840
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619	13430	184,929
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	344,280
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Sec 619	13431	1,576
84.181	Special Education: IDEA Early Intervention Grants,	24214	<u>67,389</u>
	Subtotal Special Education Cluster		6,760,483
	Title I Programs:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	16,695,775
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Programs	14357	<u>73,306</u>
	Subtotal Title I Programs		<u>16,769,081</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education and Education State Leadership	14508	226,329
84.002	Adult Education: Adult Basic Education & ESL	14508	385,830
84.002	Adult Education: Adult Secondary Education	13978	<u>222,167</u>
	Subtotal Adult Education Programs		<u>834,326</u>

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.186	NCLB:Title IV, Part A, Safe and Drug Free Schools and Communities (SDFSC) - Technical Assistance	14378	\$ 364,940
84.196	Title X McKinney Vento Homeless Assistance Grants	14332	66,877
84.060	Indian Education	10011	396,218
84.377	NCLB: Title I, School Improvement Grant (SIG) Cohort 2 L/A	15183	10,377,332
84.367	NCLB: Title II, Part A Improving Teacher Quality Local Grants	14341	3,059,836
84.365	NCLB Title III, Limited English Proficiency	14346	726,659
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	221,641
84.184	Safe and Supportive Schools Programmatic Intervention	15164	602,313
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	<u>1,357,740</u>
	Total U.S. Department of Education		<u>41,537,446</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Billing Option	10013	<u>482,578</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	National School Lunch Program	13396	<u>17,419,244</u>
<u>U.S. Department of Defense</u>			
12.357	ROTC Federal Funding	-	<u>165,324</u>
	Total Federal Programs		<u>\$ 59,604,592</u>

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

	Self Insurance <u>Fund</u>
June 30, 2014 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 7,236,811
Audit adjustment to adjust the claims liability	<u>(1,994,488)</u>
June 30, 2014 Audit Financial Statements Ending Fund Balance	<u><u>\$ 5,242,323</u></u>

There were no audit adjustments proposed to any other funds of the District.

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2014
(UNAUDITED)

	(Budget) <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$ 354,273,256</u>	<u>\$ 330,287,397</u>	<u>\$ 314,318,889</u>	<u>\$ 305,464,946</u>
Expenditures	332,731,649	311,693,011	311,790,344	296,895,054
Other uses and transfers out	<u>4,463,936</u>	<u>4,733,973</u>	<u>2,305,716</u>	<u>660,242</u>
Total outgo	<u>337,195,585</u>	<u>316,426,984</u>	<u>314,096,060</u>	<u>297,555,296</u>
Change in fund balance	<u>\$ 17,077,671</u>	<u>\$ 13,860,413</u>	<u>\$ 222,829</u>	<u>\$ 7,909,650</u>
Ending fund balance	<u>\$ 82,168,312</u>	<u>\$ 65,090,641</u>	<u>\$ 51,230,228</u>	<u>\$ 51,007,399</u>
Available reserves	<u>\$ 42,841,638</u>	<u>\$ 44,049,012</u>	<u>\$ 6,279,569</u>	<u>\$ 5,932,942</u>
Designated for economic uncertainties	<u>\$ 6,743,912</u>	<u>\$ 6,328,540</u>	<u>\$ 6,222,287</u>	<u>\$ 5,932,942</u>
Undesignated fund balance	<u>\$ 36,097,726</u>	<u>\$ 37,720,472</u>	<u>\$ 57,282</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>12.71%</u>	<u>13.92%</u>	<u>2.00%</u>	<u>2.00%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 444,513,765</u>	<u>\$ 459,147,911</u>	<u>\$ 399,915,939</u>	<u>\$ 414,162,390</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>32,464</u>	<u>32,492</u>	<u>32,407</u>	<u>32,664</u>

The General Fund fund balance has increased by \$21,992,892 over the past three years. The fiscal year 2014-2015 budget projects an increase of \$17,077,671. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2014, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating surplus during the fiscal year ending June 30, 2015.

Total long-term liabilities have increased by \$44,985,521 over the past two years, due primarily to the addition of General Obligation Bonds.

Average daily attendance has decreased by 172 over the past two years. The District anticipates a decrease of 28 ADA for the 2014-2015 fiscal year.

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

Charter Schools Chartered by District

**Included in District
Financial Statements, or
Separate Report**

Nightingale Charter School	Included in Charter Fund
Pittman Charter School	Included in Charter Fund
Health Careers Academy	Included in Charter Fund
Pacific Law Academy	Included in Charter Fund
Stockton High School	Included in Charter Fund
Stockton Unified Early College Academy	Included in Charter Fund
Aspire Langston Hughes Academy	Separate Report
Aspire APEX Academy	Separate Report
Aspire Port City Academy	Separate Report
Aspire Rosa Parks Academy	Separate Report
Dr. Lewis Dolphin Stallworth Sr. Charter Schools	Separate Report
Stockton Collegiate International Elementary Charter School	Separate Report
Stockton Collegiate International Secondary Charter School	Separate Report
TEAM Charter School	Separate Report

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance 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.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and was prepared on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2014.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 61,141,845
Add: Medi-Cal Billing Option spent from prior year awards	93.778	48,156
Less: Advanced Placement (AP) Program Grants not spent	84.330	(70,176)
Medi-Cal Administrative Activities not spent	93.778	<u>(1,515,233)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 59,604,592</u>

STOCKTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
(Continued)

1. PURPOSE OF SCHEDULES (Continued)

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2014-2015 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2014, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
 Stockton Unified School District
 Stockton, California

Report on Compliance with State Laws and Regulations

We have audited Stockton Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Yes
Instructional Time	10	Yes
Instructional Materials	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes
Charter School Facility Grant Program	1	Yes

We did not perform procedures related to Independent Study because the District's reported ADA was below the materiality level that requires testing.

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to the Early Retirement Incentive Program.

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this program.

We did not perform any procedures related to After School Education and Safety Program: Before School because the District did not offer a Before School program in the current year.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Stockton Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Stockton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Stockton Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Findings 2014-002 and 2014-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Stockton Unified School District did not comply with the requirements regarding Attendance Reporting and the School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Stockton Unified School District to comply with state laws and regulations.

Qualified Opinion on Compliance with State Laws and Regulations


In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Stockton Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Stockton Unified School District had not complied with the state laws and regulations.

Other Matter

Stockton Unified School District's response to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Stockton Unified School District's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

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

Board of Education
Stockton Unified School District
Stockton, 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 governmental activities, each major fund, and the aggregate remaining fund information of Stockton Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stockton Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stockton Unified School District's internal control over financial reporting (internal control) to determine the 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 Stockton Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Stockton Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.

We identified a deficiency involving internal control that was communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001.

Compliance and Other Matters


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

Stockton Unified School District's Response to Finding

Stockton Unified School District's response to the finding identified in our audit is included in the accompanying schedule of Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, express no opinion on it.

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 12, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Stockton Unified School District
Stockton, California

Report on Compliance for Each Major Federal Program

We have audited Stockton Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Stockton Unified School District's major federal programs for the year ended June 30, 2014. Stockton Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Stockton Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stockton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Stockton Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Stockton Unified School District complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of Stockton Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stockton Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stockton Unified School District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2014

FINDINGS AND RECOMMENDATIONS

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I Programs
84.367	NCLB: Title II, Part A Improving Teacher Quality
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 1,788,138

Auditee qualified as low-risk auditee? _____ Yes X No

STATE AWARDS

Type of auditors' report issued on compliance for
state programs: Qualified

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 DEFICIENCY - STUDENT BODY ACCOUNTING (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At various school sites selected for testing of the Associated Student Body financial activity:

- Deposits were not made in a timely manner.
- Receipts are not issued for funds collected at the front office.
- Deposits are not supported by detailed schedules defining the number of items receipted and the unit price per item.
- Tally sheets/sub-receipt books are not utilized by the teachers to track the initial receipt of cash from fundraising.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Deposit money collected for activities within a week of receiving the cash.
- Receipts should be issued for funds collected at the front office.
- Deposits should be supported by detailed schedules defining the number of items receipted and unit price per item.
- Sub-receipt books should be issued to those collecting ASB moneys and records of sub receipt books should be maintained by ASB advisors.

Corrective Action Plan

The District will provide specific training to the staff at the schools where exceptions were noted by the auditors to reduce the possibility of similar errors occurring in the future.

District-wide training is provided annually for personnel assigned to account for Associated Student Body funds. This training reviews proper accounting and internal control procedures, points out findings made by the external auditors and the recommended procedures to avoid these errors, and answers questions regarding the ASB function. The District also provides individual training for new personnel assigned to account for ASB funds, and additional training for existing site staff when the need is warranted. The District will continue to provide this training in order to strengthen internal controls and provide better accounting for ASB funds.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-002 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

- At Chavez High School one student was improperly included for a total misstatement of one day.
- At King Elementary School one student was improperly included for a total misstatement of one day.

Effect

The effect of this finding is an extrapolated overstatement of 0.35 and 2.49 ADA in the Transition Kindergarten through Third and Ninth through Twelfth grade span, respectively.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

The fiscal impact of the error is approximately \$19,000.

Recommendation

The District should revise and resubmit the Second Period Report of Attendance removing the disallowed attendance.

Corrective Action Plan

The District has filed a revised Second Period Report of Attendance for the extrapolated overstatement in Average Daily Attendance (ADA) noted during the audit testing.

The District will provide specific training to the staff at the schools where exceptions were noted by the auditors to reduce the possibility of similar errors occurring in the future.

The District conducts monthly meetings with school-site staff assigned to the attendance accounting function. The meetings review, in part, proper procedures for the recording and reporting of ADA, errors noted from submitted site attendance reports, and questions coming from school-site personnel regarding attendance accounting. The District also provides individual training for new attendance accounting personnel and when additional training of existing personnel appears warranted. The District will continue to provide training with emphasis on the exceptions noted from the audit testing.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-003 DEFICIENCY - SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria

Education Code Section 35186 (a) A school district shall use the uniform complaint process it has adopted as required by Chapter 5.1 (commencing with Section 4600) of Title 5 of the California Code of Regulations, with modifications, as necessary, to help identify and resolve any deficiencies related to instructional materials, emergency or urgent facilities conditions that pose a threat to the health and safety of pupils or staff, teacher vacancy or misassignment, and intensive instruction and services provided pursuant to Section 37254 to pupils who have not passed one or both parts of the high school exit examination after the completion of grade 12.

Condition

At various school sites selected for testing of the School Accountability Report Card was not consistent with information provided in the facility conditions evaluation instrument.

Effect

Inaccurate information is being reported to the public in the School Accountability Report Card.

Cause

There is currently not a control in place that agrees the information from the facility conditions evaluation instrument to the School Accountability Report Card.

Fiscal Impact

Not determinable.

Recommendation

The District should revise their School Accountability Report Card, so that it is consistent with their facility conditions evaluation instrument.

Corrective Action Plan

The District has revised their School Accountability Report Card.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

STOCKTON UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2013-01</p> <p>At various school sites selected for testing of the Associated Student Body financial activity:</p> <ul style="list-style-type: none">• Receipts are not supported by detailed schedules defining the number of items receipted or the unit price per item.• Student store inventories are not tracked or reviewed.• Items sold in the student store are not tracked or summarized.• Profit and Loss statements for the student store are not created or reviewed.• Monthly reports of financial transactions of various trust and club accounts are not being prepared and submitted to the site principal for review. <ul style="list-style-type: none">• Receipts should be supported by detailed schedules defining the number of items receipted or the unit price per item.• Student store inventories should be tracked and reviewed.• Items sold in the student store should be tracked and summarized.• Profit and Loss statements for the student store should be created and reviewed.• Monthly reports of financial transactions of various trust and club accounts should be prepared and reviewed by the site principal, club advisor/individual clubs.	<p>Partially Implemented.</p>	<p>See current year finding #2014-001.</p>