

**STOCKTON UNIFIED SCHOOL DISTRICT**  
Stockton, California

**FINANCIAL STATEMENTS**  
June 30, 2013

**STOCKTON UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2013**

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## 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, 2013, 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, 2013, 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.

## ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. The District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position at July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Our opinion is not modified with respect to this matter.

## ***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 4 to 17 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 63 and 64 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. The accompanying schedule of expenditures 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 financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 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

Sacramento, California  
December 13, 2013



## Management's Discussion and Analysis

An overview of the Stockton Unified School District's financial activities for the fiscal year ended June 30, 2013, 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 2013 fiscal year was \$374.6 million. Expenditures totaled \$378.4 million. The net position of the District decreased by \$11.1 million, which includes a \$7.3 million adjustment for the effect of adopting Governmental Accounting Standards Board (GASB) Statement No. 65. This represents a 3.96% decrease in net position from the prior year.
- Capital assets, net of depreciation, increased by \$31.9 million. Projects completed during the fiscal year included the modernization of King Elementary School, the construction of the Edison High School athletic stadium and gym, and the completion of modernization or construction projects at three other District schools.
- Construction and modernization work continued at a number of District school sites. Costs expended on projects in the construction phase totaled \$120.5 million at the end of the fiscal year.
- Long-term debt decreased by a net \$14.2 million. 2012 General Obligation Refunding Bonds were issued during the year, the proceeds of which being used to retire the Series 2001, 2003 and 2004 General Obligation Bonds approved by voters in the election of 2000. Other increases to debt included additional postretirement healthcare benefit costs, addition of capital lease obligations, and the accretion of interest on the Series D General Obligation Bonds from the Election of 2008. Besides retiring the three series of General Obligation bonds, the long-term debt balance was reduced by the retirement of the 2004 Certificates of Participation and the normal payments on other debt instruments.

### 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 revenue limit, along with special funding received from the federal and state governments, finance most of these activities.

## 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, 2013 and 2012 is presented by category in the table below:

	Government-Wide Activities		Year Over
	2013	2012	Year Change
<b>Assets:</b>			
Cash	\$ 152,326,164	\$ 172,098,459	\$(19,772,295)
Receivables	67,970,067	87,399,041	(19,428,974)
Inventories	1,471,608	1,428,760	42,848
Other current assets	329,878	8,570,435	(8,240,557)
Capital assets, net of depreciation	<u>532,632,622</u>	<u>500,705,822</u>	<u>31,926,800</u>
Total assets	<u>754,730,339</u>	<u>770,202,517</u>	<u>(15,472,178)</u>
<b>Deferred Outflow:</b>			
Loss on refunding of debt	<u>220,188</u>	<u>--</u>	<u>220,188</u>
Total assets and deferred outflow	<u>\$ 754,950,527</u>	<u>\$ 770,202,517</u>	<u>\$(15,251,990)</u>
<b>Liabilities:</b>			
Long-term debt outstanding	399,915,939	414,162,390	(14,246,451)
Other liabilities	<u>86,236,459</u>	<u>76,171,287</u>	<u>10,065,172</u>
Total liabilities	<u>486,152,398</u>	<u>490,333,677</u>	<u>(4,181,279)</u>
<b>Net Position:</b>			
Net investment in capital assets	211,851,575	218,203,624	(6,352,049)
Restricted	43,786,489	45,556,594	(1,770,105)
Unrestricted	<u>13,160,065</u>	<u>16,108,622</u>	<u>(2,948,557)</u>
Total net position	<u>\$ 268,798,129</u>	<u>\$ 279,868,840</u>	<u>\$(11,070,711)</u>

Total assets and deferred outflows decreased by \$15.3 million during the 2013 fiscal year. Of this total, cash accounts decreased by \$19.8 million, receivables decreased by \$19.4 million, and other assets decreased by \$8.0 million. Capital assets, net of depreciation, increased by a total of \$31.9 million. Capital assets are discussed in more detail later in this Management Discussion and Analysis report.

Long-term debt decreased a net \$14.2 million. 2012 General Obligation Refunding Bonds were issued during the year, with the proceeds from the sale used to retire the Series 2001, 2003, and 2004 General Obligation Bonds approved by voters in the election of 2000. Other increases to debt included the accretion of interest on the Series D General Obligation Bonds from the election of 2008, addition of capital lease obligations, and increases to postemployment healthcare benefits. Long-term debt was reduced by the retirement of the 2004 Certificates of Participation 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, increased by \$10.0 million. The overall change to total liabilities was a net reduction of \$4.2 million.

The difference between the \$15.3 million decrease to total assets and the \$4.2 million decrease to total liabilities resulted in a net \$11.1 million decrease to total net position, a 3.96% change from the balance at June 30, 2012.

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

	Government-Wide Activities		Year Over
	2013	2012	Year Change
<b>Revenues – Program:</b>			
Charges for Services	\$ 1,518,318	\$ 1,690,589	\$ (172,271)
Operating Grants and Contributions	120,516,324	117,019,077	3,497,247
Capital Grants and Contributions	5,703,256	19,161,274	(13,458,018)
<b>Revenues – General:</b>			
Unrestricted Federal and State Aid	192,500,443	191,764,753	735,690
Taxes Levied for General Purposes	29,484,115	29,760,733	(276,618)
Taxes Levied for Debt Service	19,187,011	19,146,290	40,721
Taxes Levied for Other Purposes	547,707	590,678	(42,971)
Interest and Investment Earnings	1,380,852	1,980,662	(599,810)
Other General Revenues	<u>3,810,773</u>	<u>3,474,433</u>	<u>336,340</u>
Total Revenues	<u>374,648,799</u>	<u>384,588,489</u>	<u>(9,939,690)</u>
<b>Expenses:</b>			
Instruction	217,310,716	210,507,646	6,803,070
Pupil and Instructional Services	85,535,603	81,772,122	3,763,481
General Administration	14,971,240	15,297,348	(326,108)
Plant Services	35,438,771	32,919,005	2,519,766
Other Expenses	<u>25,183,876</u>	<u>19,501,781</u>	<u>5,682,095</u>
Total Expenses	<u>378,440,206</u>	<u>359,997,902</u>	<u>18,442,304</u>
(Decrease) in Net Position	<u>(3,791,407)</u>	<u>24,590,587</u>	<u>(28,381,994)</u>
Net Position, Beginning of the Year	279,868,840	255,278,253	24,590,587
Cumulative effect of change in accounting principles	<u>(7,279,304)</u>	<u>--</u>	<u>(7,279,304)</u>
Net Position, Beginning of the Year, As Restated	<u>272,589,536</u>	<u>255,278,253</u>	<u>17,311,283</u>
Net Position, End of the Year	<u>\$ 268,798,129</u>	<u>\$ 279,868,840</u>	<u>\$ (11,070,711)</u>

For the 2013 fiscal year, total District revenues were \$374.6 million. Total District expenses were \$378.4 million. The difference is a reduction to net position of \$3.8 million. Also reducing net position is an adjustment of \$7.3 million for the cumulative effect of adopting Governmental Accounting Standards Board (GASB) Statement No. 65. This results in a total reduction of \$11.1 million to the District's net position at June 30, 2013. A discussion of GASB Statement 65 is included in Note 1, Summary of Significant Accounting Policies, of the Notes to Basic Financial Statements section of the audit report.

A main source of revenue for the District is the State Aid portion of the Revenue Limit, included in the Unrestricted Federal and State Aid total. The Revenue Limit is 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.

Enrollment, not including the District's dependent charter schools, declined in 2013 when compared with the prior school year. Total second month enrollment in Grades K – 12 for the 2013 fiscal year was 34,515 students, a decrease of 414 students from the 2012 year. When District charter school enrollment is included in the totals, enrollment decreased by 614 students, indicating that District enrollment is declining at both the regular schools and the District's charter schools.

This same trend is seen with Average Daily Attendance (ADA). For the 2013 fiscal year, the ADA for the Second Principal Apportionment (P-2) period totaled 32,407, a decline of 257 ADA from the prior fiscal year. Most of the decrease results from students migrating to District or independent charter schools.

## Governmental Activities

### Governmental Activities Expenditures

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction, Instruction-related Services and Pupil Services	\$ 302,846,319	\$ 292,279,768	\$ 185,148,220	\$ 164,289,857
General Administrative and Plant Services	50,410,011	48,216,353	45,576,021	42,921,211
Ancillary Services	<u>1,033,111</u>	<u>950,643</u>	<u>938,825</u>	<u>882,647</u>
Totals	<u>\$ 354,289,441</u>	<u>\$ 341,446,764</u>	<u>\$ 231,663,066</u>	<u>\$ 208,093,715</u>

This table displays by function the total and net cost of services provided for the 2013 and 2012 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, 2013, the District had fourteen governmental funds reporting a combined fund balance of \$135.4 million, a decrease of \$52.8 million over the prior year. Of these funds, seven had revenues which exceeded expenditures, contributing to the combined fund balance. The following table details the fund balances of the individual governmental funds.

### Governmental Funds – Fund Balance

	Fund Balance – June 30,		Year Over
	2013	2012	Year Change
General Fund	\$ 51,230,228	\$ 51,007,399	\$ 222,829
Charter Schools Special Revenue Fund	765,231	1,147,621	(382,390)
Adult Education Fund	751,124	1,779,776	(1,028,652)
Child Development Fund	32,838	37,716	(4,878)
Cafeteria Special Revenue Fund	12,418,586	11,019,054	1,399,532
Deferred Maintenance Fund	1,395,261	--	1,395,261
Building Fund	22,299,012	23,776,909	(1,477,897)
Capital Facilities Fund	6,777,390	26,239,098	(19,461,708)
County School Facilities Fund	26,844	25,926	918
Special Reserve for Capital Outlay Projects	18,999,875	53,779,942	(34,780,067)
Capital Proj. Fund for Blended Component Units	1,520	1,519	1
Bond Interest and Redemption Fund	14,105,322	14,240,985	(135,663)
Tax Override Fund	13,191	13,161	30
Debt Service Fund	<u>6,538,804</u>	<u>5,057,693</u>	<u>1,481,111</u>
Totals	<u>\$ 135,355,226</u>	<u>\$ 188,126,799</u>	<u>\$ (52,771,573)</u>

## General Fund – Revenue and Expenditure Analysis

The table below displays unaudited actual General Fund revenue by major category for fiscal year 2013, along with the increase or decrease from fiscal year 2012 and breakdowns by percentage. The table does not include Transfers In and Other Financing Sources.

General Fund			
FY-2013 Actual	Percent Of Total	Increase (Decrease) from FY-2012	Percent Increase or (Decrease)

Revenues:

Revenue Limit	\$ 174,261,934	56.41%	\$ 1,725,461	1.00%
Federal Revenue	46,979,118	15.21%	1,079,920	2.35%
Other State Revenue	79,769,317	25.82%	304,525	0.38%
Other Local Revenue	7,926,783	2.56%	1,476,794	22.90%
Total Revenues	\$ 308,937,152	100.00%	\$ 4,586,700	1.51%

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-2013 Actual	Percent Of Total	Increase (Decrease) from FY-2012	Percent Increase or (Decrease)

Expenditures:

Certificated Salaries	\$ 140,106,693	44.94%	\$ 4,278,055	3.15%
Classified Salaries	45,391,479	14.56%	2,899,486	6.82%
Employee Benefits	73,911,273	23.71%	1,955,483	2.72%
Books and Supplies	15,538,102	4.98%	1,629,224	11.71%
Services, Other Operating Expenses	33,886,294	10.87%	2,441,751	7.77%
Capital Outlay	2,158,941	0.69%	1,355,598	168.74%
Other Outgo/Dir. Supp./Indirect Costs	797,562	0.25%	335,693	72.68%
Total Expenditures	\$ 311,790,344	100.00%	\$ 14,895,290	5.02%

The District's financial condition was tested during the 2013 fiscal year because of declining average daily attendance causing reduced revenue, cash flow concerns resulting from the state's deferral of apportionment allocations, and the slowly improving national and state economies. The District is looking towards additional state revenue for the 2014 fiscal year. This development 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 2013 General Fund operating budget was adopted by the Governing Board in June of 2012. As adopted, budgeted revenues totaled \$290.4 million. This represents \$7.2 million less than the \$297.6 million budgeted for expenditures.

There were several formal revisions 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 tables following display General Fund revenue and expenditures by major object categories with a comparison to the revised budget totals reflected in the 2012-13 Second Interim report.

<b>General Fund</b>			
	<b>FY-13 Actual Revenue</b>	<b>Board Approved Budget</b>	<b>Increase (Decrease)</b>
Revenue:			
Revenue Limit Sources	\$ 174,261,934	\$ 173,861,187	\$ 400,747
Federal Revenue	46,979,118	63,813,126	(16,834,008)
Other State Revenue	79,769,317	79,307,659	461,658
Other Local Revenue	7,926,783	7,817,268	109,515
Transfers In/Other Sources	<u>5,381,737</u>	<u>5,331,355</u>	<u>50,382</u>
Total Revenue	<u>\$ 314,318,889</u>	<u>\$ 330,130,595</u>	<u>\$ (15,811,706)</u>

<b>General Fund</b>			
	<b>FY-13 Actual Expenditures</b>	<b>Board Approved Budget</b>	<b>Increase (Decrease)</b>
Expenditures:			
Certificated Salaries	\$ 140,106,693	\$ 143,888,445	\$ (3,781,752)
Classified Salaries	45,391,479	45,295,464	96,015
Employee Benefits	73,911,273	75,208,380	(1,297,107)
Books and Supplies	15,538,102	34,853,094	(19,314,992)
Services and Other Operating Expenses	33,886,294	36,932,322	(3,046,028)
Capital Outlay	2,158,941	2,041,689	117,252
Other Outgo/ Direct Support/Indirect Costs	797,562	452,449	345,113
Transfers Out/Other Uses	<u>2,305,716</u>	<u>2,119,705</u>	<u>186,011</u>
Total Expenditures	<u>\$ 314,096,060</u>	<u>\$ 340,791,548</u>	<u>\$ (26,695,488)</u>
Change in Net Ending Balance	<u>\$ 222,829</u>	<u>\$ (10,660,953)</u>	<u>\$ 10,883,782</u>



## Capital Asset and Debt Administration

### Capital Assets at Year-End (Net of Depreciation)

	Government-Wide Activities	
	2013	2012
Land	\$ 25,735,353	\$ 25,735,353
Improvement of Sites	3,614,282	3,879,377
Buildings	376,598,824	366,785,028
Equipment	6,201,178	7,005,374
Construction in Progress	<u>120,482,985</u>	<u>97,300,690</u>
Totals	<u>\$ 532,632,622</u>	<u>\$ 500,705,822</u>

Capital assets in the table above are reflected at June 30, 2013 and 2012, 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 \$31.9 million during the year. Major capital asset projects completed during the year include the following:

✓ Construction	Edison High Athletic Stadium and Gym	\$10.6 million
✓ Construction	Chavez High Construction Settlement	\$ 1.2 million
✓ Construction	Pacific Law Academy	\$ 0.4 million
✓ Modernization	King Elementary School	\$ 7.8 million
✓ Modernization	Stagg High Athletics, Phase II	\$ 0.7 million

A total of \$120.5 million has been expended on projects still in the construction phase. This includes construction work on the athletic facilities projects at the comprehensive high schools and modernization projects at a number of school sites. The Construction in Progress account increased a net \$23.2 million for the 2012-2013 year. Depreciation expense totaled \$12.7 million for the year.

### Outstanding Debt at Year-End

	Government-Wide Activities	
	2013	2012
General Obligation Bonds, including Premiums	\$ 317,417,499	\$ 324,742,750
Accreted Interest – 2008 Series D General Obligation Bonds	7,236,859	2,793,966
Certificates of Participation, including Premiums	37,338,163	49,660,140
Capitalized Lease Obligations	1,622,799	--
Qualified Zone Academic Bonds Payable	5,000,000	5,000,000
Charter School Loan	83,334	166,667
Redevelopment Agency Repayment	968,740	1,210,925
Postretirement Healthcare Benefits	21,204,022	18,638,418
PARS Liability	4,309,356	7,379,929
Compensated Absences	<u>4,735,167</u>	<u>4,569,595</u>
Totals	<u>\$ 399,915,939</u>	<u>\$ 414,162,390</u>



Outstanding debt decreased by a net \$14.2 million during the fiscal year. This is detailed as follows:

Increases - \$58.3 Million

- Sale of 2012 General Obligation Refunding Bonds - \$49.1 million. This represents \$43.6 million in bonds and \$5.5 million in bond premium.
- Accretion of interest on Election of 2008, Series D General Obligation Bonds - \$4.4 million.
- Net increase to Postemployment Benefits - \$2.6 million.
- Recognition of capitalized lease obligations - \$2.0 million.
- Net increase to the balance for compensation absences - \$0.2 million.

Decreases - \$72.5 Million

- Retirement of Election of 2000 General Obligation Bonds, Series 2001, 2003, and 2004 - \$47.3 million. The retirement of these bonds comes from the use of proceeds from the sale of the 2012 General Obligation Refunding Bonds.
- Scheduled payments on various general obligation bond issues - \$7.8 million.
- Write off of unamortized bond premiums from the Series 2001, 2003, and 2004 General Obligation Bonds - \$0.8 million.
- Amortization of general obligation bond premiums, various issues - \$0.4 million.
- Retirement of 2004 Certificates of Participation - \$11.0 million.
- Scheduled payment on the 2007 Certificates of Participation - \$1.4 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 - \$0.4 million.
- Scheduled payment to the State of California for excess redevelopment agency apportionments - \$0.2 million.
- Scheduled payment - loan to the Stockton Early College Academy charter school - \$0.1 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 2013-14 Stockton Unified School District budget has been developed with all components of the proposal presented by the Governor Jerry Brown in January and any applicable May Revise and Adopted Budget adjustments. The District enters the 2013-14 fiscal year with the prospects of a brighter financial picture as a result of actions that took place months earlier.

In January of 2013, the Governor presented a 2013-14 state budget which brought good news to public education: funding would increase for the first time in five years. As a result of the slowly improving economy and the expected effect of Proposition 30, passed by California voters in the November 2012 election, the Governor felt confident in proposing a greater allocation of revenue for school districts. The provisions of Proposition 30 call for the raising of state revenue through a combination of income and sales taxes. Education is scheduled to benefit from a substantial portion of the new revenue. While not entirely restoring cuts made in prior years, the Governor's proposal was a first step in reversing the trend of reductions to education funding.

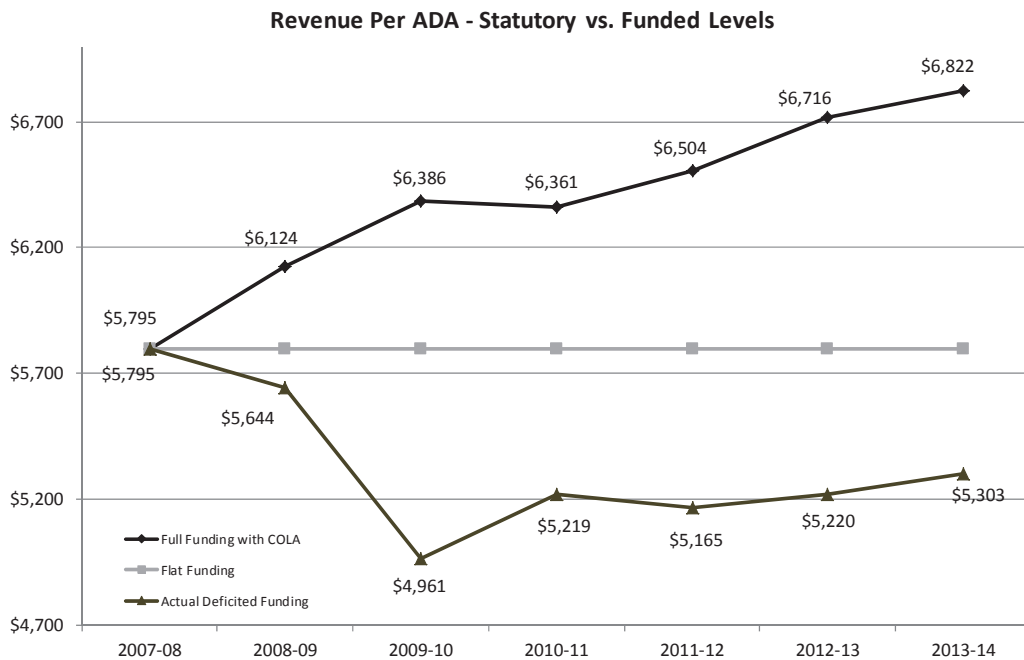
The centerpiece of the Governor's education funding plan is the Local Control Funding Formula (LCFF). Conceptually, the LCFF attempts to simplify the funding model used for many years while providing greater resources to students most likely to underperform. The difference between the LCFF and the current funding model results from the LCFF assigning most of the variability in funding to just two factors: English language learners and poverty, as defined by eligibility for free and reduced meals.

The main components of the LCFF are as follows:

- Eliminates the old funding model of revenue limits and almost all categorical programs, except those established by state initiative, federal statutes, or court orders or settlements.
- Establishes a base grant equal to the undeficitated statewide average base revenue limit per ADA for each school district. The base grant is further refined by differential adjustments based on grade spans (K-3, 4-6, 7-8, and 9-12).
- Adds funding to the base grant for the K-3 Class Size Reduction (CSR) and 9-12 Career Technical Education programs. The K-3 CSR program will require districts to reduce pupil to teacher ratios in a consistent manner on a yearly basis until a ratio of 24:1 is achieved in the 2020-21 fiscal year.
- Adds supplemental and concentration grants to school districts based on the percentage of total enrollment that are English language learners and Free and Reduced-Price Meal Program eligible students.

The LCFF is scheduled to be implemented over an eight-year period, but the implementation period could be longer or shorter than eight years depending on the annual LCFF appropriation by the state.

The San Joaquin County Office of Education cautioned county school districts not to use the LCFF funding method in developing their 2013-14 budgets since the state budget, including the provision for the LCFF, had not been adopted. In accordance with the recommendation of the County Office of Education, the Stockton Unified budget was prepared and adopted utilizing the current funding model of the Revenue Limit, adjusted by a deficit factor and supplemented by categorical program funding. With the state budget now passed and signed by the Governor, the District is waiting for direction on how the LCFF will be implemented. Once this information is received, the budget can be revised and approved by the Board of Education. At the time of this writing, the LCFF is still being refined and any increased funding is not expected to be received by Stockton Unified until the 2014-15 fiscal year.



Source: School Services of California

The reality of K-12 school funding over the last seven years is depicted in the graph above. If school funding included the statutory cost of living adjustments computed over this timeframe, Stockton Unified would be receiving funding of \$6,822 per ADA for the 2013-14 year. Even with no cost of living

adjustments, the District should be receiving \$5,795 per ADA. Due to state budget cuts in prior years, the District will receive even less. Under the current funding formula, the District will receive \$5,303 per ADA, far less than the statutory funding, but almost \$350 per ADA more than the education funding low point of 2009-10.

While waiting for both direction on the implementation of the LCFF and continued improvement in the national and state economies, the District finds itself in the situation where cash management is critical. The District is dealing with its current financial condition by constantly monitoring cash flow projections, closely tracking the payment of outstanding invoices, and by issuing Tax and Revenue Anticipation Notes (TRANs) as needed. These notes provide cash funds to “even out” the irregular funding stream coming from the state. In addition to these cash management strategies, the District continues to look for cost cutting measures and to solicit ideas from staff, bargaining units, and the public to further reduce the budget. District employees and administration, the unions, and the community have a vested interest in finding ways to maintain the financial stability of Stockton Unified School District. Working together, the District “family” will continue to monitor our financial affairs in order to provide a quality educational program for our students.

Critical assumptions used to prepare the 2013-14 budget are discussed below.

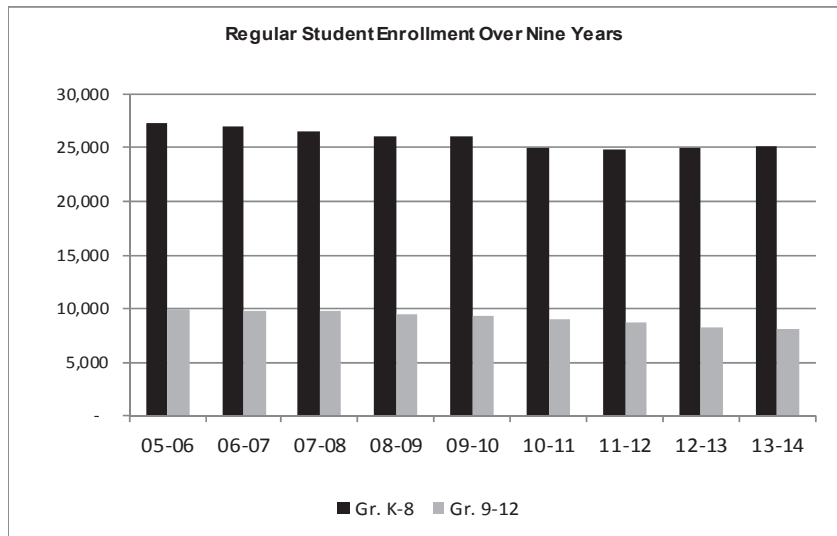
**Student Enrollment and Enrollment Projections**

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 2013-14 school year, enrollment in District schools is slightly higher when compared to the enrollment totals from the prior year and to the projected enrollment of 36,283 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 the school District can also affect the student enrollment that converts to revenue for operational purposes. For the 2013-14 year, the District’s Health Careers Academy charter school is adding an additional grade. 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 a percentage cost for fiscal oversight. The District is looking into further allocation of central office costs, including services provided by the Payroll, Human Resources, Purchasing and Accounts Payable departments.

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

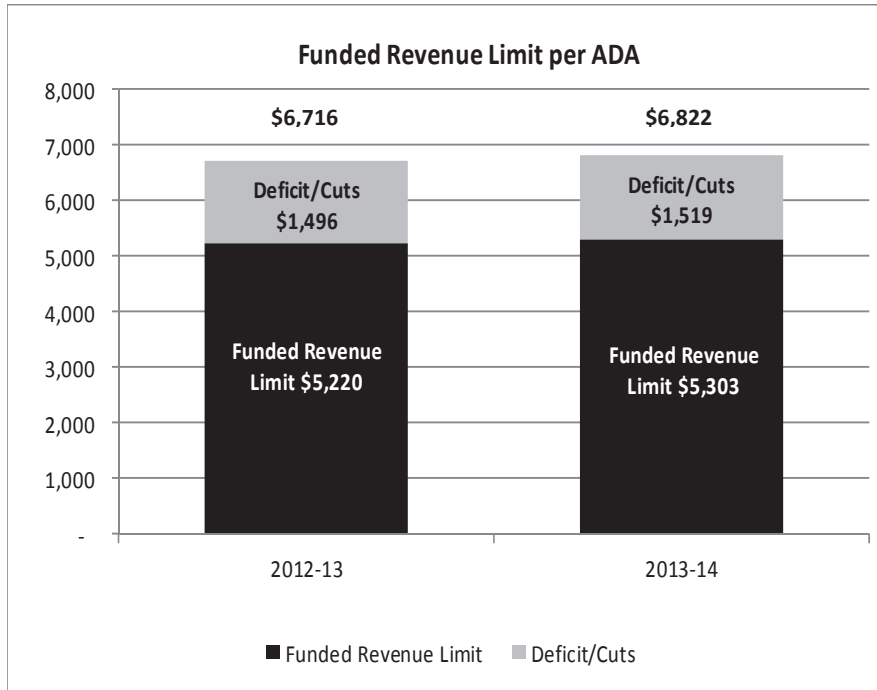
In planning a viable budget, the preparation of accurate enrollment projections is critical. It becomes even more important when the economy is struggling and revenue coming to the District is restricted or deferred by decisions made at the state level. The



District 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.

**Revenue Limit Cost of Living Adjustment (COLA)**



Until the LCFF is implemented, the Revenue Limit will continue to be the main source of unrestricted revenue for school districts. The Revenue Limit COLA represents the percentage of additional dollars allocated to school districts in support of local operations. It is the state’s way of recognizing increased costs experienced by school districts. For 2013-14, the statutory Revenue Limit COLA is 1.565%, or \$106 per unit of average daily attendance (ADA). To

help in balancing the state’s budget, a deficit factor can be applied to reduce the amount of funding a school district actually receives. Depending on the sizes of the COLA and deficit factor, a school district can receive more or less revenue in a given year. For the 2013-14 year, a deficit factor of 22.272% has been applied to the Base Revenue Limit per ADA amount of \$6,822 to provide District funding of approximately \$5,303 per unit of ADA, \$83 per ADA higher from the 2012-13 year. The effect of this is displayed in the graph above.

**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 upward pressure to increase salary compensation and health benefits will continue over the next few years. Currently, the District allocates approximately 91% 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.

**Health Rates**

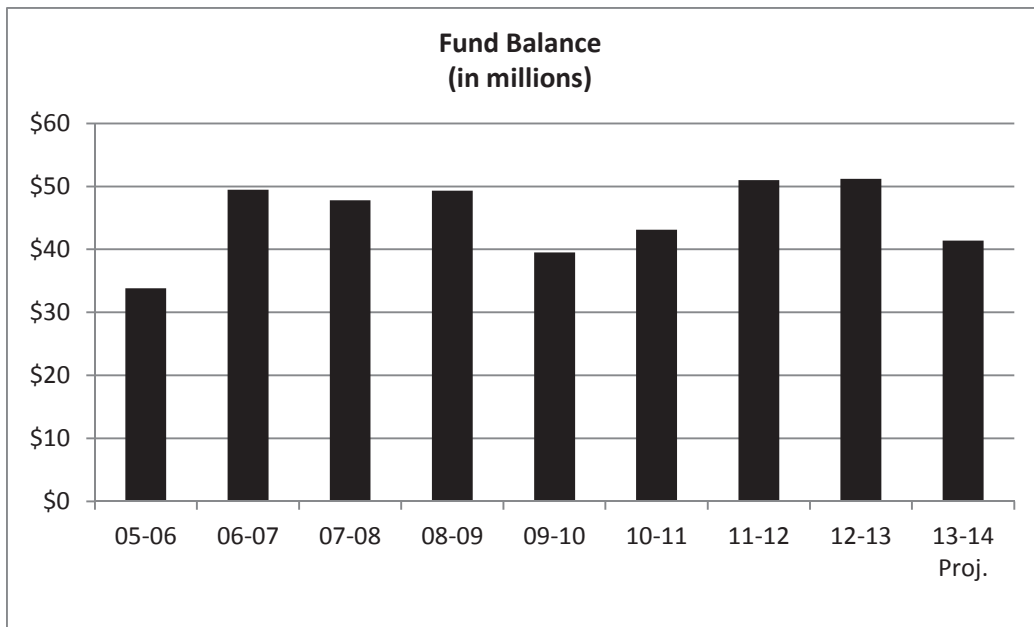
The cost of health care is expected to increase over the next few years. The District has established a health benefits allowance for 2013-14. The allowance results from collective bargaining contracts in which an expense cap does not exist and the District is obligated to absorb any cost increases. 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 \$6.2 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 2012-13 and 2013-14 years.



Note: The projected fund balances for 2013-14 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, 2013

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 152,326,164
Receivables	67,970,067
Prepaid expenditures	329,878
Stores inventory	1,471,608
Non-depreciable capital assets (Note 4)	146,218,338
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>386,414,284</u>
Total assets	<u>754,730,339</u>
<b>DEFERRED OUTFLOW</b>	
Loss on refunding of debt (Note 7)	<u>220,188</u>
<b>LIABILITIES</b>	
Accounts payable	28,334,835
TRAN payable (Note 5)	36,000,000
Claims liability (Note 6)	13,580,000
Unearned revenue	8,321,624
Long-term liabilities (Note 7):	
Due within one year	14,655,409
Due after one year	<u>385,260,530</u>
Total liabilities	<u>486,152,398</u>
<b>NET POSITION</b>	
Net investment in capital assets	211,851,575
Restricted (Note 8)	43,786,489
Unrestricted	<u>13,160,065</u>
Total net position	<u>\$ 268,798,129</u>

See accompanying notes to financial statements.

**STOCKTON UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2013

	<u>Program Revenues</u>			<u>Capital</u>	<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Grants and</u>	<u>Revenue and</u>
	<u>Expenses</u>	<u>For</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Change in</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>	
				<u>Activities</u>	
Governmental activities (Note 4):					
Instruction	\$ 217,310,716	\$ 269,071	\$ 60,534,623	\$ 5,703,256	\$ (150,803,766)
Instruction-related services:					
Supervision of instruction	24,177,834	17,042	19,073,733	-	(5,087,059)
Instructional library, media and technology	896,469	1,271	670,864	-	(224,334)
School site administration	18,019,467	763	319,157	-	(17,699,547)
Pupil services:					
Home-to-school transportation	10,646,981	-	4,495,398	-	(6,151,583)
Food services	15,782,291	244,579	16,911,912	-	1,374,200
All other pupil services	16,012,561	56,540	9,399,890	-	(6,556,131)
General administration:					
Data processing	2,998,146	195	881	-	(2,997,070)
All other general administration	11,973,094	19,858	3,855,331	-	(8,097,905)
Plant services	35,438,771	14,294	943,431	-	(34,481,046)
Ancillary services	1,033,111	-	94,286	-	(938,825)
Enterprise activities	(4,096)	-	-	-	4,096
Other outgo	629,995	894,705	4,216,818	-	4,481,528
Interest on long-term liabilities	23,447,831	-	-	-	(23,447,831)
Unallocated depreciation	77,035	-	-	-	(77,035)
	<u>\$ 378,440,206</u>	<u>\$ 1,518,318</u>	<u>\$ 120,516,324</u>	<u>\$ 5,703,256</u>	<u>(250,702,308)</u>
Total governmental activities					
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					29,484,115
Taxes levied for debt service					19,187,011
Taxes levied for other specific purposes					547,707
Federal and state aid not restricted to specific purposes					192,500,443
Interest and investment earnings					1,380,852
Interagency revenues					1,144,043
Miscellaneous					2,666,730
					<u>246,910,901</u>
Total general revenues					<u>246,910,901</u>
Change in net position					(3,791,407)
Net position, July 1, 2012, as previously stated					279,868,840
Cumulative effect of change in accounting principles					<u>(7,279,304)</u>
Net position, July 1, 2012, as restated					<u>272,589,536</u>
Net position, June 30, 2013					<u>\$ 268,798,129</u>

See accompanying notes to financial statements.



**STOCKTON UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2013

	<u>General Fund (01)</u>	<u>Building Fund (21)</u>	<u>Special Reserve Fund (40)</u>	<u>Debt Service Fund (56)</u>	<u>All Non-Major Funds *</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 33,899,218	\$ -	\$ -	\$ 3,372	\$ 33,315,138	\$ 67,217,728
Cash in County Treasury restricted for capital projects	-	25,131,197	25,208,869	-	-	50,340,066
Cash on hand and in banks	-	-	-	-	13,265	13,265
Cash in revolving fund	70,000	-	-	-	2,500	72,500
Cash with Fiscal Agent	8,029,715	-	-	6,535,296	-	14,565,011
Receivables	60,830,297	15,978	17,038	136	6,943,127	67,806,576
Prepaid expenditures	110,392	-	-	-	-	110,392
Due from other funds	3,822,465	-	-	-	927,723	4,750,188
Stores inventory	1,174,593	-	-	-	297,015	1,471,608
	<u>\$ 107,936,680</u>	<u>\$ 25,147,175</u>	<u>\$ 25,225,907</u>	<u>\$ 6,538,804</u>	<u>\$ 41,498,768</u>	<u>\$ 206,347,334</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 11,502,697	\$ 2,846,265	\$ 6,221,174	\$ -	\$ 1,341,657	\$ 21,911,793
TRAN payable	36,000,000	-	-	-	-	36,000,000
Unearned revenue	8,265,587	-	-	-	56,037	8,321,624
Due to other funds	938,168	1,898	4,858	-	3,813,767	4,758,691
	<u>56,706,452</u>	<u>2,848,163</u>	<u>6,226,032</u>	<u>-</u>	<u>5,211,461</u>	<u>70,992,108</u>
Fund balances:						
Nonspendable	1,354,985	-	-	-	299,515	1,654,500
Restricted	7,495,674	22,299,012	18,999,875	6,538,804	35,987,792	91,321,157
Assigned	36,100,000	-	-	-	-	36,100,000
Unassigned	6,279,569	-	-	-	-	6,279,569
	<u>51,230,228</u>	<u>22,299,012</u>	<u>18,999,875</u>	<u>6,538,804</u>	<u>36,287,307</u>	<u>135,355,226</u>
Total liabilities and fund balances	<u>\$ 107,936,680</u>	<u>\$ 25,147,175</u>	<u>\$ 25,225,907</u>	<u>\$ 6,538,804</u>	<u>\$ 41,498,768</u>	<u>\$ 206,347,334</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, 2013**

Total fund balances - Governmental Funds \$ 135,355,226

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 \$707,114,165 and the accumulated depreciation is \$174,481,543 (Note 4). 532,632,622

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, 2013 consisted of (Note 7):

General Obligation Bonds and premium	\$ (317,417,499)	
Accreted Interest	(7,236,859)	
Certificates of Participation and premium	(37,338,163)	
Capital leases obligations	(1,622,799)	
Qualified Zone Academy Bonds	(5,000,000)	
Charter School Loan	(83,334)	
Redevelopment Agency Repayment	(968,740)	
Post-employment healthcare benefits	(21,204,022)	
PARS Liability	(4,309,356)	
Compensated absences	<u>(4,735,167)</u>	
		(399,915,939)

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. (4,057,409)

In governmental funds, for debt refundings, the difference between reacquisition price and net carrying amount of the old debt for debt refunding is recognized in the period they are incurred. In the government-wide statements, the loss is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. 220,188

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position for the Self-Insurance Fund total: 4,563,441

Total net position - governmental activities \$ 268,798,129

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, 2013

	<u>General Fund (01)</u>	<u>Building Fund (21)</u>	<u>Special Reserve Fund (40)</u>	<u>Debt Service Fund (56)</u>	<u>All Non-Major Funds *</u>	<u>Total Governmental Funds</u>
Revenues:						
Revenue limit sources:						
State apportionment	\$ 148,338,224	\$ -	\$ -	\$ -	\$ 9,968,803	\$ 158,307,027
Local sources	<u>25,923,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,923,710</u>
Total revenue limit	<u>174,261,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,968,803</u>	<u>184,230,737</u>
Federal sources	46,979,118	-	-	-	17,420,236	64,399,354
Other state sources	79,769,317	-	-	-	15,483,858	95,253,175
Other local sources	<u>7,926,783</u>	<u>64,182</u>	<u>101,372</u>	<u>160,595</u>	<u>22,512,597</u>	<u>30,765,529</u>
Total revenues	<u>308,937,152</u>	<u>64,182</u>	<u>101,372</u>	<u>160,595</u>	<u>65,385,494</u>	<u>374,648,795</u>
Expenditures:						
Certificated salaries	140,106,693	-	-	-	8,680,072	148,786,765
Classified salaries	45,391,479	-	364,040	-	7,041,879	52,797,398
Employee benefits	73,911,273	-	162,818	-	7,115,074	81,189,165
Books and supplies	15,538,102	221,478	923,157	-	7,840,500	24,523,237
Contract services and operating expenditures	33,886,294	1,366,641	2,416,286	-	4,591,192	42,260,413
Capital outlay	2,158,941	4,898,250	32,516,728	-	675,523	40,249,442
Other outgo	118,557	-	-	-	-	118,557
Debt service:						
Principal retirement	648,733	-	-	-	20,224,214	20,872,947
Interest	<u>30,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,364,659</u>	<u>19,394,931</u>
Total expenditures	<u>311,790,344</u>	<u>6,486,369</u>	<u>36,383,029</u>	<u>-</u>	<u>75,533,113</u>	<u>430,192,855</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(2,853,192)</u>	<u>(6,422,187)</u>	<u>(36,281,657)</u>	<u>160,595</u>	<u>(10,147,619)</u>	<u>(55,544,060)</u>
Other financing sources (uses):						
Operating transfers in	3,352,390	4,201,666	1,501,590	49,677,749	2,305,716	61,039,111
Operating transfers out	(2,305,716)	(48,357,749)	-	-	(10,375,646)	(61,039,111)
Proceeds from capital leases	2,029,347	-	-	-	-	2,029,347
Proceeds from the sale of bonds	-	49,100,373	-	-	-	49,100,373
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,357,233)</u>	<u>-</u>	<u>(48,357,233)</u>
Total other financing sources (uses)	<u>3,076,021</u>	<u>4,944,290</u>	<u>1,501,590</u>	<u>1,320,516</u>	<u>(8,069,930)</u>	<u>2,772,487</u>
Change in fund balances	222,829	(1,477,897)	(34,780,067)	1,481,111	(18,217,549)	(52,771,573)
Fund balances, July 1, 2012	<u>51,007,399</u>	<u>23,776,909</u>	<u>53,779,942</u>	<u>5,057,693</u>	<u>54,504,856</u>	<u>188,126,799</u>
Fund balances, June 30, 2013	<u>\$ 51,230,228</u>	<u>\$ 22,299,012</u>	<u>\$ 18,999,875</u>	<u>\$ 6,538,804</u>	<u>\$ 36,287,307</u>	<u>\$ 135,355,226</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, 2013

Net change in fund balances - Total Governmental Funds	\$ (52,771,573)
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).	\$ 44,662,311
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(12,735,511)
Accreted interest on Capital Appreciation Bonds is not accrued in governmental funds, but is recognized over the life of the debt in government-wide financial statements (Note 7).	(4,442,893)
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 7):	(51,129,720)
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 7).	68,192,947
In government funds, loss on refunding and premiums are recognized as expenditures in the period they are incurred. In government-wide statements, loss on refunding and premiums are amortized over the life of the debt (Note 7).	1,506,908
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.	140,509
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:	2,446,218
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 7).	(2,565,604)

(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, 2013

In government funds, expenses 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 7).	\$	3,070,573
In the statement of activities, expenses 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 7).	<u>(165,572)</u>	<u>\$ 48,980,166</u>
Change in net position of governmental activities		<u>\$ (3,791,407)</u>

See accompanying notes to financial statements.

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

**June 30, 2013**

**ASSETS**

Cash and investments:	
Cash in County Treasury	\$ 19,350,324
Cash with Fiscal Agent	767,270
Receivables	163,491
Due from other funds	10,500
Prepaid expenditures	<u>219,486</u>
 Total assets	 <u>20,511,071</u>

**LIABILITIES**

Accounts payable	2,365,633
Claims liability	13,580,000
Due to other funds	<u>1,997</u>
 Total liabilities	 <u>15,947,630</u>

**NET POSITION**

Restricted	<u><u>\$ 4,563,441</u></u>
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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, 2013

Operating revenues:	
Self-insurance premiums	\$ 16,167,832
Other local revenues	<u>18,526</u>
Total operating revenues	<u>16,186,358</u>
Operating expenses:	
Classified salaries	303,755
Employee benefits	136,324
Books and supplies	79,874
Contract services	<u>13,262,805</u>
Total operating expenses	<u>13,782,758</u>
Operating income	2,403,600
Non-operating income:	
Interest income	<u>42,618</u>
Change in net position	2,446,218
Total net position, July 1, 2012	<u>2,117,223</u>
Total net position, June 30, 2013	<u>\$ 4,563,441</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, 2013**

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 16,175,852
Cash paid for employee benefits	(12,118,003)
Cash paid for other expenses	<u>(49,641)</u>
Net cash provided by operating activities	<u>4,008,208</u>
Cash flows provided by investing activities:	
Interest income received	<u>42,618</u>
Increase in cash and investments	4,050,826
Cash and investments, July 1, 2012	<u>16,066,768</u>
Cash and investments, June 30, 2013	<u>\$ 20,117,594</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 2,403,600</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in:	
Receivables	(10,506)
Due from from other fund	(10,500)
Prepaid expenses	28,242
(Increase) decrease in:	
Accounts payable and claims liability	1,597,465
Amount due to other funds	<u>(93)</u>
Total adjustments	<u>1,604,608</u>
Net cash provided by operating activities	<u>\$ 4,008,208</u>

See accompanying notes to financial statements.



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

June 30, 2013

	<u>Trust Fund</u>	<u>Agency Fund</u>	
	<u>Scholarship Trust</u>	<u>Student Body Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash on hand and in banks (Note 2)	\$ 846,352	\$ 673,965	\$ 1,520,317
<b>LIABILITIES</b>			
Due to student groups	<u>-</u>	<u>673,965</u>	<u>673,965</u>
<b>NET POSITION</b>			
Restricted (Note 8)	<u>\$ 846,352</u>	<u>\$ -</u>	<u>\$ 846,352</u>

See accompanying notes to financial statements.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2013**

	<b>Scholarship Trust</b>
Revenues:	
Other local sources	\$ 32,067
Expenditures:	
Contract services and operating expenditures	<u>41,160</u>
Change in net position	(9,093)
Net position, July 1, 2012	<u>855,445</u>
Net position, June 30, 2013	<u><u>\$ 846,352</u></u>

See accompanying notes to financial statements.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC 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 BASIC 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 BASIC 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:

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 BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

A - Major Funds (Continued)

2. Capital Facilities Fund (21):

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

3. Special Reserve Fund (40):

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

4. Debt Service Fund (56):

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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 Building, County School Facilities and Mello-Roos Funds.

3. Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC 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 Funds:

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 BASIC 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.

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.

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

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.

Compensated Absences

Compensated absences totaling \$4,735,167 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.



**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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.

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, 2013, the District had no committed fund balances.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance Classifications (Continued)

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, 2013, the Board of Education has designated the Chief Business Official with the authority to assign fund balances.

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, 2013, 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.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

**STOCKTON UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities", this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items were previously reported as assets and liabilities and recognizes, as outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District early adopted this Statement and the financial statements as of June 30, 2013 have been retroactively restated for the change. Under this Statement, debt issuance costs, except for prepaid insurance are recognized as an outflow/expense. The adoption of this Statement resulted in a decrease in net position at July 1, 2012 of \$7,279,304 for the government-wide activities for debt issuance costs that were previously recognized as assets. At June 30, 2013, the District has recorded a deferred outflow of \$220,188 for the loss on refunding General Obligation Bonds.

## STOCKTON UNIFIED SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### New Accounting Pronouncements (Continued)

In March 2012, the 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 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement 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. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

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 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 is effective for the District's financial period ended June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

In June 2012, the 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 financial period ended June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

**2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2013 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	\$ 67,217,728	\$ 19,350,324	\$ 86,568,052	\$ -
Cash in County Treasury - restricted for capital projects	50,340,066	-	50,340,066	-
Total pooled funds	117,557,794	19,350,324	136,908,118	-
Deposits:				
Cash on hand and in banks	13,265	-	13,265	1,520,317
Cash in revolving fund	72,500	-	72,500	-
Total deposits	85,765	-	85,765	1,520,317
Investments:				
Cash with Fiscal Agent	14,565,011	767,270	15,332,281	-
Total cash and investments	\$ 132,208,570	\$ 20,117,594	\$ 152,326,164	\$ 1,520,317

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.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Pooled Funds (Continued)

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, 2013, the San Joaquin County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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, 2013, the carrying amount of the District's accounts was \$1,606,082 and the bank balance was \$1,636,896. The total uninsured bank balance at June 30, 2013 was \$1,386,896.

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, 2013, 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, 2013, the District had no concentration of credit risk.



**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC 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, 2013 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 3,822,465	\$ 938,168
Building	-	1,898
Special Reserve	-	4,858
Non-Major Funds:		
Charter School	903,315	2,575,980
Adult Education	-	1,104,594
Child Development	20,492	78,681
Cafeteria	64	54,512
Capital Facilities	3,852	-
Proprietary Fund:		
Self-Insurance	<u>10,500</u>	<u>1,997</u>
Totals	<u>\$ 4,760,688</u>	<u>\$ 4,760,688</u>

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 BASIC FINANCIAL STATEMENTS**  
(Continued)

**3. INTERFUND TRANSACTIONS (Continued)**

Interfund Transfers (Continued)

Interfund transfers for the 2012-2013 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for projects.	\$ 1,500,000
Transfer from the General Fund to the Charter Schools Special Reserve Fund for Charter Loan and Tax in Lieu.	805,716
Transfer from the Building Fund to the Debt Service Fund to redeem G.O Bonds.	48,357,749
Transfer from the County Schools Facilities Fund to the Building Fund for the School Facility Program.	4,201,666
Transfer from the Adult Education Fund to the General Fund for project contribution.	2,400,000
Transfer from the Adult Education Fund to the General Fund for indirect costs.	98,591
Transfer from the Child Development Fund to the General Fund for indirect costs.	140,138
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	713,661
Transfer from the County Schools Facilities Fund to the Special Reserve Fund for the School Facility Program.	1,501,590
Transfer from the Bond Interest and Redemption Fund to the Debt Service Fund for the Qualified School Construction Bonds.	<u>1,320,000</u>
	<u><u>\$ 61,039,111</u></u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**4. CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Transfers and Additions	Transfers and Deductions	Balance June 30, 2013
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 25,735,353	\$ -	\$ -	\$ 25,735,353
Work-in-process	97,300,690	44,156,134	(20,973,839)	120,482,985
Depreciable:				
Buildings	513,397,687	-	20,973,839	534,371,526
Site improvements	7,574,090	-	-	7,574,090
Equipment	<u>18,774,339</u>	<u>506,177</u>	<u>(330,305)</u>	<u>18,950,211</u>
Totals, at cost	<u>662,782,159</u>	<u>44,662,311</u>	<u>(330,305)</u>	<u>707,114,165</u>
Less accumulated depreciation:				
Buildings	(146,612,659)	(11,160,043)	-	(157,772,702)
Site improvements	(3,694,713)	(265,095)	-	(3,959,808)
Equipment	<u>(11,768,965)</u>	<u>(1,310,373)</u>	<u>(330,305)</u>	<u>(12,749,033)</u>
Total accumulated depreciation	<u>(162,076,337)</u>	<u>(12,735,511)</u>	<u>(330,305)</u>	<u>(174,481,543)</u>
Capital assets, net	<u>\$ 500,705,822</u>	<u>\$ 31,926,800</u>	<u>\$ -</u>	<u>\$ 532,632,622</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,465,555
Home to school	1,049,401
Food services	17,675
All other general administration	82,936
Plant services	42,909
Unallocated	<u>77,035</u>
Total depreciation expense	<u>\$ 12,735,511</u>

**5. TAX AND REVENUE ANTICIPATION NOTES PAYABLE**

On February 20, 2013, the District issued \$36,000,000 of Tax and Revenue Anticipation Notes (TRAN) maturing on October 1, 2013, with an interest rate of 0.600%, to provide for anticipated cash flow deficits from operations. The TRAN are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2013. As of June 30, 2013, the District is fully utilizing the cash from the TRAN and has recorded a liability of \$36,000,000 in the basic financial statements. The TRAN was paid off on October 1, 2013.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**6. 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. The liability for workers compensation is based on an actuarial study dated June 30, 2013.

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

	June 30, <u>2013</u>	June 30, <u>2012</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 12,086,000	\$ 11,800,000
Total incurred claims and claim adjustment expenses	3,879,739	4,948,276
Total payments	<u>(2,385,739)</u>	<u>(4,662,276)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 13,580,000</u>	<u>\$ 12,086,000</u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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>
2014	\$ 725,000	\$ 2,444,925	\$ 3,169,925
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
2019-2023	11,660,000	9,956,363	21,616,363
2024-2028	20,555,000	6,557,459	27,112,459
2029-2031	<u>18,135,000</u>	<u>1,288,219</u>	<u>19,423,219</u>
	<u>\$ 55,885,000</u>	<u>\$ 29,598,616</u>	<u>\$ 85,483,616</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>
2014	\$ 1,885,000	\$ 2,549,294	\$ 4,434,294
2015	1,960,000	2,467,588	4,427,588
2016	2,015,000	2,383,119	4,398,119
2017	2,080,000	2,288,300	4,368,300
2018	2,150,000	2,179,863	4,329,863
2019-2023	11,805,000	9,176,000	20,981,000
2024-2028	13,000,000	6,086,563	19,086,563
2029-2032	<u>17,925,000</u>	<u>2,335,375</u>	<u>20,260,375</u>
	<u>\$ 52,820,000</u>	<u>\$ 29,466,102</u>	<u>\$ 82,286,102</u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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>
2014	\$ 2,000,000	\$ 2,599,175	\$ 4,599,175
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
2019-2023	12,800,000	9,750,150	22,550,150
2024-2028	15,800,000	6,510,375	22,310,375
2029-2033	<u>19,500,000</u>	<u>2,405,663</u>	<u>21,905,663</u>
	<u>\$ 59,000,000</u>	<u>\$ 30,804,063</u>	<u>\$ 89,804,063</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 a 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>
2014	\$ -	\$ 351,276	\$ 351,276
2015	-	351,276	351,276
2016	-	351,276	351,276
2017	-	351,276	351,276
2018	-	351,276	351,276
2019-2023	-	1,756,380	1,756,380
2024-2026	<u>16,040,000</u>	<u>702,552</u>	<u>16,742,552</u>
	<u>\$ 16,040,000</u>	<u>\$ 4,215,312</u>	<u>\$ 20,255,312</u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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 a 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>
2014	\$ -	\$ 961,342	\$ 961,342
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
2019-2023	5,780,000	3,253,984	9,033,984
2024-2028	<u>6,465,000</u>	<u>1,160,943</u>	<u>7,625,943</u>
	<u>\$ 14,930,000</u>	<u>\$ 9,056,187</u>	<u>\$ 23,986,187</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>
2024-2028	\$ 5,020,278	\$ 3,045,235	\$ 8,065,513
2029-2033	2,256,613	30,452,350	32,708,963
2034-2038	8,330,807	30,452,350	38,783,157
2039-2043	8,141,233	30,452,350	38,593,583
2044-2048	13,464,196	29,302,390	42,766,586
2049-2051	<u>18,933,370</u>	<u>8,721,375</u>	<u>27,654,745</u>
	<u>\$ 56,146,497</u>	<u>\$132,426,050</u>	<u>\$188,572,547</u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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 2.000% to 5.000% 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>
2014	\$ 915,000	\$ 555,050	\$ 1,470,050
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
2019-2022	<u>5,805,000</u>	<u>501,950</u>	<u>6,306,950</u>
	<u>\$ 12,995,000</u>	<u>\$ 2,852,000</u>	<u>\$ 15,847,000</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. On June 30, 2013, \$47,320,000 of bonds outstanding are considered defeased.

*Calculation of Difference in Cash Flow Requirements and Economic Gain*

Cash Flow Difference

Old debt service cash flows	\$ 69,972,656
New debt service cash flows	<u>64,753,499</u>
	<u>\$ 5,219,157</u>

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid is \$4,412,515.

Although the advance refundings resulted in the recognition of an accounting loss of \$220,188 for the year ended June 30, 2013, the District in effect reduced its aggregate debt service payments by \$5.2 million over the next 16 years and obtained an economic gain of \$4.4 million.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. LONG-TERM LIABILITIES (Continued)**

Economic Gain (Continued)

There was no accrued interest or sinking fund resources related to the new debt proceeds.

The bonds bear coupon rates from 3.000% to 5.000% 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>
2014	\$ 1,810,000	\$ 1,938,400	\$ 3,748,400
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
2019-2023	12,130,000	7,486,500	19,616,500
2024-2028	19,265,000	3,219,000	22,484,000
2029	<u>1,800,000</u>	<u>45,000</u>	<u>1,845,000</u>
	<u>\$ 40,820,000</u>	<u>\$ 19,864,300</u>	<u>\$ 60,684,300</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 BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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>
2014	\$ 2,621,890
2015	2,619,890
2016	2,620,640
2017	2,618,890
2018	2,619,640
2019-2023	13,100,033
2024-2028	13,090,725
2029-2033	13,096,156
2034-2036	<u>7,857,450</u>
Total payments	60,245,314
Less amount representing interest	<u>(23,045,314)</u>
Net present value of minimum payments	<u>\$ 37,200,000</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 Union Safe Deposit Bank, 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.

Charter School Loan

In April 2011, a one-time loan of \$250,000 was provided to Stockton Early College Academy. Funds are available through the Charter School Revolving Loan Fund to help meet initial operating costs for charter schools in their first charter term. Qualified expenses include, but are not limited to, the cost of leasing facilities, making necessary improvements to facilities and purchasing instructional materials.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. LONG-TERM LIABILITIES (Continued)**

Charter School Loan (Continued)

Scheduled payments for the charter school loan are as follows:

Year Ending <u>June 30.</u>	Loan <u>Payments</u>
2014	\$ 83,604
Less amount representing interest	<u>(270)</u>
Net present value of minimum payments	<u><u>\$ 83,334</u></u>

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>	
2014	\$ 266,403
2015	260,349
2016	254,294
2017	<u>248,240</u>
Total payments	1,029,286
Less amount representing interest	<u>(60,546)</u>
Net present value of minimum payments	<u><u>\$ 968,740</u></u>

Capital Lease Obligations

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

Year Ending <u>June 30.</u>	
2014	\$ 25,960
2015	25,960
2016	<u>6,490</u>
Total payments	<u><u>\$ 58,410</u></u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. LONG-TERM LIABILITIES (Continued)**

Capital Lease Obligations (Continued)

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

Year Ending <u>June 30,</u>		
2014	\$	27,094
2015		<u>20,320</u>
Total payments	\$	<u><u>47,414</u></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>		
2014	\$	406,547
2015		406,547
2016		406,547
2017		<u>406,547</u>
Total payments		1,626,188
Less amount representing interest		<u>(109,213)</u>
Net present value of minimum payments	\$	<u><u>1,516,975</u></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, 2013, 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 BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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	\$ 7,314,087
Interest on net OPEB obligation	838,729
Adjustment to annual required contribution	<u>(855,355)</u>
Annual OPEB cost (expense)	7,297,461
Contributions made	<u>(4,731,857)</u>
Increase in net OPEB obligation	2,565,604
Net OPEB obligation - beginning of year	<u>18,638,418</u>
Net OPEB obligation - end of year	<u><u>\$ 21,204,022</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, 2013 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 9,275,637	36.8%	\$ 13,842,096
June 30, 2012	\$ 9,151,460	47.6%	\$ 18,638,418
June 30, 2013	\$ 7,297,461	64.8%	\$ 21,204,022

As of June 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$90.8 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$90.8. The covered payroll (annual payroll of active employees covered by the Plan) was \$202 million, and the ratio of the UAAL to the covered payroll was 38 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 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 3 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, 2013, 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 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, 2013 are as follows:

Year Ending <u>June 30,</u>	
2014	\$ 3,070,573
2015	<u>1,238,783</u>
	<u>\$ 4,309,356</u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. 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, 2013 is shown below:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 320,211,497	\$ 43,570,000	\$ 55,145,000	\$ 308,636,497	\$ 7,335,000
General Obligation Bonds Premium	4,531,253	5,530,373	1,280,624	8,781,002	235,522
Accreted interest	2,793,966	4,442,893	-	7,236,859	-
Certificates of Participation	49,515,881	-	12,315,881	37,200,000	2,621,890
Certificates of Participation Premium	144,259	-	6,096	138,163	6,096
Capitalized lease obligations	-	2,029,347	406,548	1,622,799	416,519
Qualified Zone Academy Bonds	5,000,000	-	-	5,000,000	-
Charter School Loan	166,667	-	83,333	83,334	83,334
Redevelopment Agency Repayment	1,210,925	-	242,185	968,740	242,185
Post-employment healthcare benefits	18,638,418	7,297,461	4,731,857	21,204,022	-
PARS Liability	7,379,929	-	3,070,573	4,309,356	3,070,573
Compensated absences	4,569,595	165,572	-	4,735,167	644,290
	<u>\$ 414,162,390</u>	<u>\$ 63,035,646</u>	<u>\$ 77,282,097</u>	<u>\$ 399,915,939</u>	<u>\$ 14,655,409</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 California Energy Commission Loan are made from the General 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.

At June 30, 2013, the District had capital assets acquired under capital leases with an original cost of \$2,029,347 with no accumulated depreciation.

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**8. RESTRICTED NET POSITION / FUND BALANCE**

Restricted net position consisted of the following at June 30, 2013:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Restricted for unspent categorical program revenues	\$ 7,495,674	\$ -
Restricted for special revenues	15,363,040	-
Restricted for debt service	14,122,021	-
Restricted for capital projects	6,805,754	-
Restricted for scholarships	<u>-</u>	<u>846,352</u>
 Total restricted net position	 <u>\$ 43,786,489</u>	 <u>\$ 846,352</u>

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**8. RESTRICTED NET POSITION / FUND BALANCE (Continued)**

Fund balances, by category, at June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund</u>	<u>Debt Service Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:						
Revolving cash fund	\$ 70,000	\$ -	\$ -	\$ -	\$ 2,500	\$ 72,500
Prepaid expenses	110,392	-	-	-	-	110,392
Stores inventory	<u>1,174,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,015</u>	<u>1,471,608</u>
Subtotal nonspendable	<u>1,354,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,515</u>	<u>1,654,500</u>
Restricted:						
Unspent categorical revenues	7,495,674	-	-	-	-	7,495,674
Special revenue programs	-	-	-	-	15,063,525	15,063,525
Capital projects	-	22,299,012	18,999,875	-	6,805,754	48,104,641
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,538,804</u>	<u>14,118,513</u>	<u>20,657,317</u>
Subtotal restricted	<u>7,495,674</u>	<u>22,299,012</u>	<u>18,999,875</u>	<u>6,538,804</u>	<u>35,987,792</u>	<u>91,321,157</u>
Assigned:						
LCFF/LCAP Statutory Changes	33,700,000	-	-	-	-	33,700,000
Lottery - one time	<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>
Subtotal assigned	<u>36,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,100,000</u>
Unassigned:						
Designated for economic uncertainty	6,222,287	-	-	-	-	6,222,287
Unassigned	<u>57,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,282</u>
Subtotal unassigned	<u>6,279,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,279,569</u>
Total fund balances	<u>\$ 51,230,228</u>	<u>\$ 22,299,012</u>	<u>\$ 18,999,875</u>	<u>\$ 6,538,804</u>	<u>\$ 36,287,307</u>	<u>\$135,355,226</u>



**STOCKTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**9. 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 2012-2013 was 11.417% 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, 2011, 2012 and 2013 were \$3,270,567, \$5,089,028 and \$4,619,116, 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 BASIC FINANCIAL STATEMENTS**  
(Continued)

**9. 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 2012-2013 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, 2011, 2012 and 2013 were \$11,562,924, \$11,562,625 and \$11,942,624, respectively, and equal 100% of the required contributions for each year.

**10. 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.

Condensed audited financial information for NCRReLiEF for the year ended June 30, 2012 (the latest information available) is as follows:

Total assets	\$ 64,352,057
Total liabilities	\$ 34,304,678
Total net assets	\$ 30,047,379
Total revenues	\$ 16,956,833
Total expenditures	\$ 13,337,585
Change in net assets	\$ 3,619,248

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 BASIC FINANCIAL STATEMENTS**  
(Continued)

**10. JOINT POWERS AGREEMENTS** (Continued)

School Project for Utility Rate Reduction (Continued)

Condensed audit information for SPURR for the year ended June 30, 2012 (the latest information available) is as follows:

Total assets	\$ 12,712,307
Total liabilities	\$ 6,292,890
Total net assets	\$ 6,419,417
Total revenue	\$ 33,252,049
Total expenditures	\$ 33,030,649
Change in net assets	\$ 221,400

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.

**11. 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STOCKTON UNIFIED SCHOOL DISTRICT**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended June 30, 2013**

	<u>Budget</u>			<b>Variance Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Revenue limit sources:				
State apportionment	\$ 147,441,173	\$ 147,000,538	\$ 148,338,224	\$ 1,337,686
Local sources	<u>25,973,727</u>	<u>26,860,649</u>	<u>25,923,710</u>	<u>(936,939)</u>
Total revenue limit	<u>173,414,900</u>	<u>173,861,187</u>	<u>174,261,934</u>	<u>400,747</u>
Federal sources	35,886,347	63,813,126	46,979,118	(16,834,008)
Other state sources	75,651,509	79,307,659	79,769,317	461,658
Other local sources	<u>4,029,073</u>	<u>7,817,268</u>	<u>7,926,783</u>	<u>109,515</u>
Total revenues	<u>288,981,829</u>	<u>324,799,240</u>	<u>308,937,152</u>	<u>(15,862,088)</u>
Expenditures:				
Certificated salaries	136,520,525	143,888,445	140,106,693	3,781,752
Classified salaries	43,369,035	45,295,464	45,391,479	(96,015)
Employee benefits	72,686,191	75,208,380	73,911,273	1,297,107
Books and supplies	17,923,309	34,853,094	15,538,102	19,314,992
Contract services and operating expenditures	27,705,945	36,932,322	33,886,294	3,046,028
Capital outlay		2,041,689	2,158,941	(117,252)
Other outgo	150,000	150,000	118,557	31,443
Debt service:				
Principal retirement	28,873	271,058	648,733	(377,675)
Interest	<u>1,117</u>	<u>31,391</u>	<u>30,272</u>	<u>1,119</u>
Total expenditures	<u>298,384,995</u>	<u>338,671,843</u>	<u>311,790,344</u>	<u>26,881,499</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(9,403,166)</u>	<u>(13,872,603)</u>	<u>(2,853,192)</u>	<u>11,019,411</u>
Other financing sources (uses):				
Operating transfers in	2,315,042	3,302,008	3,352,390	50,382
Operating transfers out	(110,631)	(2,119,705)	(2,305,716)	(186,011)
Proceeds from capital leases		<u>2,029,347</u>	<u>2,029,347</u>	
Total other financing sources (uses)	<u>2,204,411</u>	<u>3,211,650</u>	<u>3,076,021</u>	<u>(135,629)</u>
Change in fund balance	(7,198,755)	(10,660,953)	222,829	10,883,782
Fund balance, July 1, 2012	<u>51,007,399</u>	<u>51,007,399</u>	<u>51,007,399</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 43,808,644</u>	<u>\$ 40,346,446</u>	<u>\$ 51,230,228</u>	<u>\$ 10,883,782</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, 2013

<b>Schedule of Funding Progress</b>							
<b>Fiscal Year Ended</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
6/30/2009	June 1, 2009	\$ -	\$23.3 million	\$23.3 million	0%	\$211 million	11%
6/30/2010	May 3, 2010	\$ -	\$45.3 million	\$45.3 million	0%	\$189 million	24%
6/30/2011	June 19, 2011	\$ -	\$75.9 million	\$75.9 million	0%	\$191 million	40%
6/30/2012	June 1, 2012	\$ -	\$74.1 million	\$74.1 million	0%	\$194 million	39%
6/30/2013	June 1, 2013	\$ -	\$90.8 million	\$90.8 million	0%	\$202 million	38%

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, 2013 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Classified salaries	\$ 96,015
Capital outlay	\$ 117,252

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, 2013

	<u>Charter School Fund (09)</u>	<u>Adult Education Fund (11)</u>	<u>Child Develop- ment Fund (12)</u>	<u>Cafeteria Fund (13)</u>	<u>Deferred Mainten- ance Fund (14)</u>	<u>Capital Facilities Fund (25)</u>	<u>County School Facilities Fund (35)</u>	<u>Mello- Roos Fund (49)</u>	<u>Bond Interest and Redemption Fund (51)</u>	<u>Tax Override Fund (53)</u>	<u>Total</u>
<b>ASSETS</b>											
Cash in County Treasury	\$ 199,768	\$ 173,509	\$ 104,574	\$ 9,980,654	\$ 1,500,000	\$ 7,219,937	\$ 26,828	\$ 1,520	\$ 14,095,164	\$ 13,184	\$ 33,315,138
Cash on hand and in banks	-	2,000	-	11,265	-	-	-	-	-	-	13,265
Cash in revolving fund	-	-	-	2,500	-	-	-	-	-	-	2,500
Receivables	2,506,415	1,722,958	98,876	2,601,321	9	3,367	16	-	10,158	7	6,943,127
Store inventory	-	-	-	297,015	-	-	-	-	-	-	297,015
Due from other funds	<u>903,315</u>	<u>-</u>	<u>20,492</u>	<u>64</u>	<u>-</u>	<u>3,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>927,723</u>
Total assets	<u>\$ 3,609,498</u>	<u>\$ 1,898,467</u>	<u>\$ 223,942</u>	<u>\$ 12,892,819</u>	<u>\$ 1,500,009</u>	<u>\$ 7,227,156</u>	<u>\$ 26,844</u>	<u>\$ 1,520</u>	<u>\$ 14,105,322</u>	<u>\$ 13,191</u>	<u>\$ 41,498,768</u>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	\$ 217,706	\$ 42,749	\$ 112,423	\$ 414,265	\$ 104,748	\$ 449,766	\$ -	\$ -	\$ -	\$ -	\$ 1,341,657
Unearned revenue	50,581	-	-	5,456	-	-	-	-	-	-	56,037
Due to other funds	<u>2,575,980</u>	<u>1,104,594</u>	<u>78,681</u>	<u>54,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,813,767</u>
Total liabilities	<u>2,844,267</u>	<u>1,147,343</u>	<u>191,104</u>	<u>474,233</u>	<u>104,748</u>	<u>449,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,211,461</u>
Fund balances:											
Nonspendable	-	-	-	299,515	-	-	-	-	-	-	299,515
Restricted	<u>765,231</u>	<u>751,124</u>	<u>32,838</u>	<u>12,119,071</u>	<u>1,395,261</u>	<u>6,777,390</u>	<u>26,844</u>	<u>1,520</u>	<u>14,105,322</u>	<u>13,191</u>	<u>35,987,792</u>
Total fund balances	<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>1,520</u>	<u>14,105,322</u>	<u>13,191</u>	<u>36,287,307</u>
Total liabilities and fund balances	<u>\$ 3,609,498</u>	<u>\$ 1,898,467</u>	<u>\$ 223,942</u>	<u>\$ 12,892,819</u>	<u>\$ 1,500,009</u>	<u>\$ 7,227,156</u>	<u>\$ 26,844</u>	<u>\$ 1,520</u>	<u>\$ 14,105,322</u>	<u>\$ 13,191</u>	<u>\$ 41,498,768</u>

**STOCKTON UNIFIED SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**

**ALL NON-MAJOR FUNDS**

For the Year Ended June 30, 2013

	<u>Charter School Fund (09)</u>	<u>Adult Education Fund (11)</u>	<u>Child Develop- ment Fund (12)</u>	<u>Cafeteria Fund (13)</u>	<u>Deferred Mainten- ance Fund (14)</u>	<u>Capital Facilities Fund (25)</u>	<u>County School Facilities Fund (35)</u>	<u>Mello- Roos Fund (49)</u>	<u>Bond Interest and Redemption Fund (51)</u>	<u>Tax Override Fund (53)</u>	<u>Total</u>
Revenues:											
Revenue limit sources:											
State apportionment	\$ 9,968,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,968,803
Federal sources	-	732,612	-	16,687,624	-	-	-	-	-	-	17,420,236
Other state sources	1,528,256	3,542,739	3,087,767	1,339,843	-	-	5,703,256	-	281,997	-	15,483,858
Other local sources	<u>208,660</u>	<u>137,764</u>	<u>64,595</u>	<u>307,817</u>	<u>9</u>	<u>2,080,296</u>	<u>918</u>	<u>1</u>	<u>19,712,507</u>	<u>30</u>	<u>22,512,597</u>
Total revenues	<u>\$ 11,705,719</u>	<u>4,413,115</u>	<u>3,152,362</u>	<u>18,335,284</u>	<u>9</u>	<u>2,080,296</u>	<u>5,704,174</u>	<u>1</u>	<u>19,994,504</u>	<u>30</u>	<u>65,385,494</u>
Expenditures:											
Certificated salaries	6,122,116	1,452,908	1,105,048	-	-	-	-	-	-	-	8,680,072
Classified salaries	748,966	393,705	802,401	5,096,807	-	-	-	-	-	-	7,041,879
Employee benefits	2,458,626	656,147	889,819	3,110,482	-	-	-	-	-	-	7,115,074
Books and supplies	580,402	166,085	46,051	7,047,962	-	-	-	-	-	-	7,840,500
Contract services and operating expenditures	2,637,337	274,331	173,783	767,454	104,748	633,539	-	-	-	-	4,591,192
Capital outlay	262,431	-	-	199,386	-	213,706	-	-	-	-	675,523
Debt service:											
Principal retirement	83,333	-	-	-	-	12,315,881	-	-	7,825,000	-	20,224,214
Interest	<u>614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,378,878</u>	<u>-</u>	<u>-</u>	<u>10,985,167</u>	<u>-</u>	<u>19,364,659</u>
Total expenditures	<u>12,893,825</u>	<u>2,943,176</u>	<u>3,017,102</u>	<u>16,222,091</u>	<u>104,748</u>	<u>21,542,004</u>	<u>-</u>	<u>-</u>	<u>18,810,167</u>	<u>-</u>	<u>75,533,113</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,188,106)</u>	<u>1,469,939</u>	<u>135,260</u>	<u>2,113,193</u>	<u>(104,739)</u>	<u>(19,461,708)</u>	<u>5,704,174</u>	<u>1</u>	<u>1,184,337</u>	<u>30</u>	<u>(10,147,619)</u>
Other financing sources (uses):											
Operating transfers in	805,716	-	-	-	1,500,000	-	-	-	-	-	2,305,716
Operating transfers out	<u>-</u>	<u>(2,498,591)</u>	<u>(140,138)</u>	<u>(713,661)</u>	<u>-</u>	<u>-</u>	<u>(5,703,256)</u>	<u>-</u>	<u>(1,320,000)</u>	<u>-</u>	<u>(10,375,646)</u>
Total other financing sources (uses)	<u>805,716</u>	<u>(2,498,591)</u>	<u>(140,138)</u>	<u>(713,661)</u>	<u>1,500,000</u>	<u>-</u>	<u>(5,703,256)</u>	<u>-</u>	<u>(1,320,000)</u>	<u>-</u>	<u>(8,069,930)</u>
Net change in fund balances	(382,390)	(1,028,652)	(4,878)	1,399,532	1,395,261	(19,461,708)	918	1	(135,663)	30	(18,217,549)
Fund balances, July 1, 2012	<u>1,147,621</u>	<u>1,779,776</u>	<u>37,716</u>	<u>11,019,054</u>	<u>-</u>	<u>26,239,098</u>	<u>25,926</u>	<u>1,519</u>	<u>14,240,985</u>	<u>13,161</u>	<u>54,504,856</u>
Fund balances, June 30, 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>\$ 1,520</u>	<u>\$ 14,105,322</u>	<u>\$ 13,191</u>	<u>\$ 36,287,307</u>

# STOCKTON UNIFIED SCHOOL DISTRICT

## ORGANIZATION

June 30, 2013

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>
Gloria Allen	President	2016
Sal Ramirez	Member	2014
Kathleen Garcia	Member	2016
Colleen Keenan	Member	2016
David Varela	Member	2014
David L. Midora	Member	2014
Steve Smith	Member	2014

### ADMINISTRATION

Dr. Steven Lowder  
Superintendent

Dr. Sheree Audet  
Deputy Superintendent

Wayne Martin  
Chief Business Official

Dr. Kirk Nicholas  
Assistant Superintendent, Curriculum and Professional Development

Daniel Wright  
Assistant Superintendent, Elementary Education

Mark Hagemann  
Assistant Superintendent, Secondary Education

Julie Penn  
Assistant Superintendent, Student Services

Craig Wells  
Assistant Superintendent, Human Resources

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

For the Year Ended June 30, 2013

	<b>Second Period Report (Original)</b>	<b>Second Period Report (Audited)</b>	<b>Annual Report</b>
<b>DISTRICT</b>			
Elementary:			
Kindergarten	2,893	2,893	2,897
First through Third	8,461	8,462	8,442
Fourth through Eighth	12,257	12,258	12,227
Home and Hospital	3	3	2
Special Education	<u>845</u>	<u>846</u>	<u>847</u>
Total Elementary	<u>24,459</u>	<u>24,462</u>	<u>24,415</u>
Secondary:			
Regular Classes	7,264	7,264	7,173
Special Education	465	466	463
Compulsory Continuation Education	182	183	182
Home and Hospital	9	9	8
Opportunity School	<u>24</u>	<u>23</u>	<u>24</u>
Total Secondary	<u>7,944</u>	<u>7,945</u>	<u>7,850</u>
	<u><u>32,403</u></u>	<u><u>32,407</u></u>	<u><u>32,265</u></u>
<b>CHARTER SCHOOL - CLASSROOM BASED</b>			
<u>Nightingale Elementary Charter School</u>			
Elementary:			
Kindergarten	34	34	34
First through Third	113	113	112
Fourth through Eighth	<u>146</u>	<u>146</u>	<u>146</u>
<u>Pittman Elementary Charter School</u>			
Elementary:			
Kindergarten	70	70	71
First through Third	217	217	217
Fourth through Eighth	<u>240</u>	<u>240</u>	<u>241</u>
Subtotal Classroom Based	<u>820</u>	<u>820</u>	<u>821</u>

(Continued)

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
(Continued)  
**For the Year Ended June 30, 2013**

	<b>Second Period Report (Original)</b>	<b>Second Period Report (Audited)</b>	<b>Annual Report</b>
<b>CHARTER SCHOOL - CLASSROOM BASED (Continued)</b>			
<u>Stockton Health Careers Academy</u>			
Secondary:			
Regular classes	<u>228</u>	<u>228</u>	<u>225</u>
<u>Pacific Law Academy</u>			
Secondary:			
Regular classes	<u>207</u>	<u>207</u>	<u>207</u>
<u>Stockton Unified Early College Academy</u>			
Secondary:			
Regular classes	<u>314</u>	<u>314</u>	<u>312</u>
Total Classroom Based	<u><u>1,569</u></u>	<u><u>1,569</u></u>	<u><u>1,565</u></u>
<b>CHARTER SCHOOL - NON-CLASSROOM BASED</b>			
<u>Stockton Alternative High</u>			
Secondary:			
Regular classes	<u>184</u>	<u>184</u>	<u>182</u>
Total Non-classroom Based	<u><u>184</u></u>	<u><u>184</u></u>	<u><u>182</u></u>

See accompanying notes to supplementary information.

**STOCKTON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

**For the Year Ended June 30, 2013**

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b>DISTRICT</b>							
Kindergarten	36,000	35,000	31,500	30,625	54,000	180	In Compliance
Grade 1	50,400	49,000	50,250	48,854	54,000	180	In Compliance
Grade 2	50,400	49,000	50,250	48,854	54,000	180	In Compliance
Grade 3	50,400	49,000	50,250	48,854	54,000	180	In Compliance
Grade 4	54,000	52,500	53,850	52,354	54,000	180	In Compliance
Grade 5	54,000	52,500	53,850	52,354	54,000	180	In Compliance
Grade 6	54,000	52,500	53,850	52,354	54,000	180	In Compliance
Grade 7 (1)	54,000	52,500	58,500	56,875	56,700	180	In Compliance
Grade 8 (1)	54,000	52,500	58,500	56,875	56,700	180	In Compliance
Grade 9	64,800	63,000	64,980	63,175	64,980	180	In Compliance
Grade 10	64,800	63,000	64,980	63,175	64,980	180	In Compliance
Grade 11	64,800	63,000	64,980	63,175	64,980	180	In Compliance
Grade 12	64,800	63,000	64,980	63,175	64,980	180	In Compliance

(1) The District offers K-8 education, therefore, the actual number of minutes was reduced in the current year. The District is utilizing the weighted average method of calculating instructional minutes for seventh and eighth grades. Using the weighted average methodology, the District is in compliance with the instructional minutes requirements.

**CHARTER SCHOOLS**

Nightingale Elementary Charter School

Kindergarten	36,000	34,971	N/A	N/A	61,200	180	In Compliance
Grade 1	50,400	48,960	N/A	N/A	61,200	180	In Compliance
Grade 2	50,400	48,960	N/A	N/A	61,200	180	In Compliance
Grade 3	50,400	48,960	N/A	N/A	61,200	180	In Compliance
Grade 4	54,000	52,457	N/A	N/A	61,200	180	In Compliance
Grade 5	54,000	52,457	N/A	N/A	61,200	180	In Compliance
Grade 6	54,000	52,457	N/A	N/A	61,200	180	In Compliance
Grade 7	54,000	52,457	N/A	N/A	63,600	180	In Compliance
Grade 8	54,000	52,457	N/A	N/A	63,600	180	In Compliance

Pittman Elementary Charter School

Kindergarten	36,000	34,971	N/A	N/A	61,200	180	In Compliance
Grade 1	50,400	48,960	N/A	N/A	61,200	180	In Compliance
Grade 2	50,400	48,960	N/A	N/A	61,200	180	In Compliance
Grade 3	50,400	48,960	N/A	N/A	61,200	180	In Compliance
Grade 4	54,000	52,457	N/A	N/A	61,200	180	In Compliance
Grade 5	54,000	52,457	N/A	N/A	61,200	180	In Compliance
Grade 6	54,000	52,457	N/A	N/A	61,200	180	In Compliance
Grade 7	54,000	52,457	N/A	N/A	63,600	180	In Compliance
Grade 8	54,000	52,457	N/A	N/A	63,600	180	In Compliance

(Continued)

**STOCKTON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

(Continued)

**For the Year Ended June 30, 2013**

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b>CHARTER SCHOOLS (Continued)</b>							
<u>Stockton Health Careers Academy</u>							
Grade 9	64,800	62,949	N/A	N/A	64,828	180	In Compliance
Grade 10	64,800	62,949	N/A	N/A	64,828	180	In Compliance
Grade 11	64,800	62,949	N/A	N/A	64,828	180	In Compliance
Grade 12	64,800	62,949	N/A	N/A	64,828	180	In Compliance
<u>Pacific Law Academy</u>							
Grade 9	64,800	62,949	N/A	N/A	67,650	180	In Compliance
Grade 10	64,800	62,949	N/A	N/A	67,650	180	In Compliance
Grade 11	64,800	62,949	N/A	N/A	67,650	180	In Compliance
Grade 12	64,800	62,949	N/A	N/A	67,650	180	In Compliance
<u>Stockton Unified Early College Academy</u>							
Grade 9	64,800	62,949	N/A	N/A	64,828	180	In Compliance
Grade 10	64,800	62,949	N/A	N/A	64,828	180	In Compliance
Grade 11	64,800	62,949	N/A	N/A	64,828	180	In Compliance
Grade 12	64,800	62,949	N/A	N/A	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, 2013**

<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	\$ 6,508,305
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619	13430	277,958
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	490,395
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Sec 619	13431	1,465
84.027A	Special Education, Mental Health, Part B, Sec 619,	14468	<u>685,686</u>
	Subtotal Special Education Cluster		<u>7,963,809</u>
	Title I Programs:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	20,479,051
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Programs	14357	<u>194,109</u>
	Subtotal Title I Programs		<u>20,673,160</u>
	Enhancing Education Through Technology Programs:		
84.318	NCLB: Title II, Part D, Enhancing Education through Technology (EETT), Formula Grants	14334	19,506
84.318	ARRA: Title II, Part D, Enhancing Education through Technology	14368	<u>289,142</u>
	Subtotal Enhancing Education Through Technology Programs		<u>308,648</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education and Education State Leadership	14508	212,658
84.002	Adult Education: Adult Basic Education & ESL	14508	345,114
84.002	Adult Education: Adult Secondary Education	13978	<u>174,838</u>
	Subtotal Adult Education Programs		<u>732,610</u>

(Continued)



**STOCKTON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2013**

<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	\$ 160,110
84.181	Special Education IDEA Early Intervention, Grants, Part C	23761	67,389
84.196	Title X McKinney Vento Homeless Assistance Grants	14332	69,857
84.060	Indian Education	10011	390,451
84.377	NCLB: Title I, School Improvement Grant (SIG) Cohort 2 L/A	15183	9,324,210
84.367	NCLB: Title II, Part A Improving Teacher Quality Local Grants	14341	3,951,486
84.365	NCLB Title III, Limited English Proficiency	14346	441,941
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	349,145
84.184	Safe and Supportive Schools Programmatic Intervention	15164	403,307
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	<u>1,191,365</u>
	Total U.S. Department of Education		<u>46,027,488</u>

(Continued)

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2013**

<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 Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Billing Option	10013	\$ <u>461,840</u>
	Total U.S. Department of Health and Human Services		<u>461,840</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	National School Lunch Program	13529	4,352
10.555	National School Lunch Program (NSL Sec. 11)	13396	<u>16,683,272</u>
	Total U.S. Department of Agriculture		<u>16,687,624</u>
<u>U.S. Department of Defense</u>			
12.357	ROTC Federal Funding	-	<u>430,571</u>
	Total Federal Programs		<u>\$ 63,607,523</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, 2013**

There were no audit adjustments proposed to any 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, 2013**  
(UNAUDITED)

	<b>(Budget)</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<u>General Fund</u>				
Revenues and other financing sources	\$ 302,650,633	\$ 314,318,889	\$ 305,464,946	\$ 302,049,911
Expenditures	310,081,900	311,790,344	296,895,054	296,946,780
Other uses and transfers out	<u>2,405,524</u>	<u>2,305,716</u>	<u>660,242</u>	<u>1,487,860</u>
Total outgo	<u>312,487,424</u>	<u>314,096,060</u>	<u>297,555,296</u>	<u>298,434,640</u>
Change in fund balance	<u>\$ (9,836,791)</u>	<u>\$ 222,829</u>	<u>\$ 7,909,650</u>	<u>\$ 3,615,271</u>
Ending fund balance	<u>\$ 41,393,437</u>	<u>\$ 51,230,228</u>	<u>\$ 51,007,399</u>	<u>\$ 43,097,749</u>
Available reserves	<u>\$ 6,385,959</u>	<u>\$ 6,446,267</u>	<u>\$ 5,932,942</u>	<u>\$ 5,953,762</u>
Designated for economic uncertainties	<u>\$ 6,231,726</u>	<u>\$ 6,220,202</u>	<u>\$ 5,932,942</u>	<u>\$ 5,953,762</u>
Undesignated fund balance	<u>\$ 154,233</u>	<u>\$ 226,065</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>2.04%</u>	<u>2.05%</u>	<u>2.00%</u>	<u>2.00%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 385,260,530</u>	<u>\$ 399,915,939</u>	<u>\$ 414,162,390</u>	<u>\$ 419,387,338</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>32,262</u>	<u>32,407</u>	<u>32,664</u>	<u>33,218</u>

The General Fund fund balance has increased by \$11,747,750 over the past three years. The fiscal year 2013-2014 budget projects a decrease of \$9,836,791. 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, 2013, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the fiscal year ending June 30, 2014.

Total long-term liabilities have decreased by \$19,471,399 over the past two years, due primarily to the pay-off of the 2004 Certificates of Participation and pay-down of General Obligation Bonds.

Average daily attendance has decreased by 811 over the past two years. The District anticipates a decrease of 145 ADA for the 2013-2014 fiscal year.

See accompanying notes to supplementary information.

**STOCKTON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**For the Year Ended June 30, 2013**

**Charter Schools Chartered by District**

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

Nightingale Elementary Charter School	Included in Charter Fund
Pittman Elementary 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 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, 2013.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 64,399,354
Add: Medi-Cal Billing Option from prior year awards	93.778	3,677
Less: Advanced Placement (AP) Program Test Fee; Advanced Placement Incentive Program Grants expenditures	84.330	(64,318)
Medi-Cal Administrative Activities not spent	93.778	<u>(731,190)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 63,607,523</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 2013-2014 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, 2013, 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, 2013.

<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:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	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
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	1	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



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

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office.

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 Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and the District has more than one school serving K-3.

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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance with state laws and regulations 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.

### ***Opinion with State Laws and Regulations***

In our opinion, Stockton Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013. 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.

### ***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*  
Crowe Horwath LLP

Sacramento, California  
December 13, 2013

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, 2013, 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 13, 2013.

#### 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 other matters involving internal control that were communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2013-01.

## **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 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*  
Crowe Horwath LLP

Sacramento, California  
December 13, 2013

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, 2013. 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, 2013.

## **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 13, 2013

## **FINDINGS AND RECOMMENDATIONS**

**STOCKTON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2013**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' 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
84.377	NCLB: Title I, School Improvement Grant (SIG)
84.010	NCLB: Title I Programs
93.778	Medi-Cal Billing Option
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,919,099

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**STATE AWARDS**

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



**STOCKTON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2013**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2013-01 DEFICIENCY - ASSOCIATED STUDENT BODY (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:

- 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.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable

Recommendation

- 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.

Corrective Action Plan

The District provides training and on-site visits regarding Associated Student Body accounting. The training includes a review of the findings made by the auditors and their recommendations. The training may go into greater depth than the recommendations made by the auditors. The District will provide additional training focused on preparing required documentation for compliance.



**STOCKTON UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2013**

**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, 2013**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

STOCKTON UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2012-01</p> <p>The General Obligation Bonds, Election of 2008, Series B, Qualified School Construction Bonds, require payments made by the District to be held and set aside by a fiscal agent until the debt liability is liquidated at a later date. The district misinterpreted this requirement and recorded the payment in the accounting records as a reduction of the debt liability. The actual cash payment was received and is presently held by the fiscal agent.</p> <p>The District should establish internal control procedures to ensure that financial activities relating to long-term debt are recorded properly and allow for proper financial statement presentation. Internal control procedures should also be established to allow for an oversight and monitoring function on the financial activities performed on the District's behalf by related agencies.</p>	Implemented	
<p>2012-02</p> <p>At Franklin High School for testing of the Associate Student Body financial activity, we noted the following:</p> <ul style="list-style-type: none"><li>• No formal review of student store inventories to determine propriety as to character and quantities.</li><li>• Profit and loss statements are not produced for the student store until year end.</li><li>• Monthly reports of financial activity are not sent to individual clubs and/or ASB advisors.</li></ul>	Partially Implemented	
<p>At Harrison Elementary School for testing of the Associate Student Body financial activity, we noted the following:</p> <ul style="list-style-type: none"><li>• The prenumbered ripoff strip for the cash collection bag sent the District did not include the date, amount, or who counted the cash.</li></ul>		

STOCKTON UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2012-02 (Continued)		
At Wilson Elementary School for testing of the Associate Student Body financial activity, we noted the following:		
<ul style="list-style-type: none"><li>• No notation on the invoice or other supporting documentation indicating receipt of materials or services.</li><li>• Student store inventories should be reviewed periodically to determine propriety as to character and quantities.</li><li>• Student store profit and loss statements should be produced on a quarterly basis and these profit and loss statements should be reviewed by an individual with the proper authority.</li><li>• Monthly reports should be sent to individual clubs and/or the ASB advisors in charge of those clubs.</li><li>• All cash collected should be dually counted and noted on the prenumbered rip-off strips for the cash collection bags by the individuals performing the dual custody cash-count, the amount of cash counted, and the date the cash was counted.</li><li>• All materials or services received should be counted to ensure that the goods or services ordered are the goods and services received. Specifically, the appropriate personnel should indicate receipt on the vendor's invoice or packing slip before payment is made.</li></ul>		

STOCKTON UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2012-03	Implemented	
<ul style="list-style-type: none"><li>• At Harrison Elementary two students were improperly included for a total misstatement of 2 days.</li><li>• At Wilson Elementary one student was improperly included for a total misstatement of 1 day.</li></ul>		
<p>The District should revise and resubmit the Second Period Report of Attendance removing the disallowed attendance.</p>		