



**STOCKTON UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2001

STOCKTON UNIFIED SCHOOL DISTRICT
OF SAN JOAQUIN COUNTY
STOCKTON, CALIFORNIA

JUNE 30, 2001

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Clem G. Lee	President	2002
Glen A. Dolberg	Vice President	2002
Vicki Brand	Member	2004
Clarence K. Chan	Member	2004
Edward R. Garcia	Member	2004
Louis Gonzales	Member	2002
Katrina L. Rios	Member	2002

ADMINISTRATION

George E. Ridler	Superintendent
Carl Toliver	Deputy Superintendent
Marilyn Domingo	Assistant Superintendent, Business
Allyn Bulzomi	Assistant Superintendent, Human Resources

ORGANIZATION

The Stockton Unified School District consists of an area of approximately 55 square miles located within the City of Stockton in San Joaquin County, which is located approximately 55 miles south of the City of Sacramento.

The District was formed on July 1, 1936. During the 2000-2001 fiscal year, the District maintained 34 elementary schools, four middle schools, and four high schools including Weber Technical High School. The District also maintained an adult program, a continuation education program, a community day school and a child development program.

STOCKTON UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Stockton Unified School District
Stockton, California

We have audited the accompanying general-purpose and combining financial statements of the Stockton Unified School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the Stockton Unified School District at June 30, 2001, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Laurine K. Trine, Day & Co., LLP

Pleasanton, California
November 2, 2001

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STOCKTON UNIFIED SCHOOL DISTRICT

**ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 889,971	\$ 83,262	\$ -	\$ -
Investments	64,211,077	9,326,163	78,392	6,680,802
Accounts receivable	8,508,776	2,734,401	356	99,888
Due from other funds	361,968	469,543	-	600,000
Stores inventory	1,134,073	632,601	-	-
Prepaid expenditures	66,989	300	-	-
Amount available for the retirement of general long-term debt	-	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total Assets	<u>\$75,172,854</u>	<u>\$13,246,270</u>	<u>\$ 78,748</u>	<u>\$7,380,690</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	9,939,253	866,521	-	2,530,829
Due to other funds	2,402,620	113,358	-	600,000
Current loans	10,500,000	-	-	-
Deferred revenue	11,565,531	204,581	-	-
Due to student groups	-	-	-	-
Claims liability	-	-	-	-
General long-term debt	-	-	-	-
Total Liabilities	<u>34,407,404</u>	<u>1,184,460</u>	<u>-</u>	<u>3,130,829</u>
FUND EQUITY				
Retained earnings	-	-	-	-
Fund balances				
Reserved	12,766,938	634,372	-	-
Unreserved				
Designated	24,182,554	-	-	-
Undesignated	3,815,958	11,427,438	78,748	4,249,861
Total Fund Equity	<u>40,765,450</u>	<u>12,061,810</u>	<u>78,748</u>	<u>4,249,861</u>
Total Liabilities and Fund Equity	<u>\$75,172,854</u>	<u>\$13,246,270</u>	<u>\$ 78,748</u>	<u>\$7,380,690</u>

The accompanying notes are an integral part of these financial statements.

<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 115,245,180
-	44,698,909
-	<u>159,944,089</u>
-	28,263,848
-	87,394,343
2,458,943	16,879,399
-	53,409
<u>2,458,943</u>	<u>292,535,088</u>
-	133,593,092
-	43,785,113
-	40,127,534
-	16,433,276
2,035,034	26,960,316
-	81,558
-	22,656,329
-	471,718
-	896,612
<u>2,035,034</u>	<u>285,005,548</u>
<u>423,909</u>	<u>7,529,540</u>
98,206	1,562,142
-	(1,418,238)
-	1,408,972
<u>98,206</u>	<u>1,552,876</u>
522,115	9,082,416
-	48,595,568
<u>\$ 522,115</u>	<u>\$ 57,677,984</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 116,045,606	\$ 112,744,621	\$ (3,300,985)
Local sources	41,669,767	44,698,909	3,029,142
Total Revenue Limit Sources	157,715,373	157,443,530	(271,843)
Federal revenues	23,656,602	20,254,271	(3,402,331)
Other state revenues	88,113,121	81,820,059	(6,293,062)
Other local revenues	9,240,153	9,676,957	436,804
Tuition and transfers	53,409	53,409	-
Total Revenues	278,778,658	269,248,226	(9,530,432)
EXPENDITURES			
Current Expenditures			
Certificated salaries	133,685,875	130,693,615	2,992,260
Classified salaries	39,177,110	39,432,733	(255,623)
Employee benefits	41,446,886	37,945,016	3,501,870
Books and supplies	28,752,995	12,585,920	16,167,075
Services and operating expenditures	26,240,149	22,671,792	3,568,357
Other outgo	(489,508)	(528,380)	38,872
Capital outlay	13,219,146	9,220,182	3,998,964
Debt service - principal	-	-	-
Debt service - interest and other	446,785	476,774	(29,989)
Total Expenditures	282,479,438	252,497,652	29,981,786
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(3,700,780)	16,750,574	20,451,354
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	45,698	45,698
Operating transfers out	(620,893)	(1,083,411)	(462,518)
Other sources	1,180,972	1,180,972	-
Total Other Financing Sources/(Uses)	560,079	143,259	(416,820)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(3,140,701)	16,893,833	20,034,534
FUND BALANCE, BEGINNING OF YEAR	23,871,617	23,871,617	-
FUND BALANCE, END OF YEAR	\$ 20,730,916	\$ 40,765,450	\$ 20,034,534

The accompanying notes are an integral part of these financial statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,423,724	\$ 2,500,559	\$ 76,835	\$ -	\$ -	\$ -
-	-	-	-	-	-
2,423,724	2,500,559	76,835	-	-	-
8,465,562	8,009,577	(455,985)	-	-	-
4,132,442	3,696,776	(435,666)	-	9	9
2,103,381	2,343,971	240,590	16,500	14,560	(1,940)
-	-	-	-	-	-
17,125,109	16,550,883	(574,226)	16,500	14,569	(1,931)
2,895,851	2,899,477	(3,626)	-	-	-
4,867,089	4,352,380	514,709	-	-	-
2,618,258	2,182,518	435,740	-	-	-
5,284,653	3,847,356	1,437,297	-	-	-
2,913,371	1,353,912	1,559,459	-	-	-
601,536	609,938	(8,402)	-	-	-
1,245,763	1,329,657	(83,894)	-	-	-
-	-	-	-	-	-
-	-	-	13,500	10,215	3,285
20,426,521	16,575,238	3,851,283	13,500	10,215	3,285
(3,301,412)	(24,355)	3,277,057	3,000	4,354	1,354
620,893	1,083,411	462,518	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
620,893	1,083,411	462,518	-	-	-
(2,680,519)	1,059,056	3,739,575	3,000	4,354	1,354
11,002,754	11,002,754	-	74,394	74,394	-
\$ 8,322,235	\$ 12,061,810	\$ 3,739,575	\$ 77,394	\$ 78,748	\$ 1,354

STOCKTON UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Local sources	-	-	-
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	6,607,072	1,877,499	(4,729,573)
Other local revenues	3,543,611	2,384,812	(1,158,799)
Tuition and transfers	-	-	-
Total Revenues	<u>10,150,683</u>	<u>4,262,311</u>	<u>(5,888,372)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	-	-
Services and operating expenditures	1,083,431	899,578	183,853
Other outgo	-	-	-
Capital outlay	25,738,305	12,106,490	13,631,815
Debt service - principal	471,718	471,718	-
Debt service - interest and other	766,619	409,623	356,996
Total Expenditures	<u>28,060,073</u>	<u>13,887,409</u>	<u>14,172,664</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(17,909,390)</u>	<u>(9,625,098)</u>	<u>8,284,292</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	334,827	334,827
Operating transfers out	(5,064,822)	(334,827)	4,729,995
Other sources	-	-	-
Total Other Financing Sources/(Uses)	<u>(5,064,822)</u>	<u>-</u>	<u>5,064,822</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(22,974,212)</u>	<u>(9,625,098)</u>	<u>13,349,114</u>
FUND BALANCE, BEGINNING OF YEAR	<u>13,646,803</u>	<u>13,646,803</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (9,327,409)</u>	<u>\$ 4,021,705</u>	<u>\$ 13,349,114</u>

The accompanying notes are an integral part of these financial statements.

Total (Memorandum Only)

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 118,469,330	\$ 115,245,180	\$ (3,224,150)
41,669,767	44,698,909	3,029,142
<u>160,139,097</u>	<u>159,944,089</u>	<u>(195,008)</u>
32,122,164	28,263,848	(3,858,316)
98,852,635	87,394,343	(11,458,292)
14,903,645	14,420,300	(483,345)
53,409	53,409	-
<u>306,070,950</u>	<u>290,075,989</u>	<u>(15,994,961)</u>
136,581,726	133,593,092	2,988,634
44,044,199	43,785,113	259,086
44,065,144	40,127,534	3,937,610
34,037,648	16,433,276	17,604,372
30,236,951	24,925,282	5,311,669
112,028	81,558	30,470
40,203,214	22,656,329	17,546,885
471,718	471,718	-
1,226,904	896,612	330,292
<u>330,979,532</u>	<u>282,970,514</u>	<u>48,009,018</u>
<u>(24,908,582)</u>	<u>7,105,475</u>	<u>32,014,057</u>
620,893	1,463,936	843,043
(5,685,715)	(1,418,238)	4,267,477
1,180,972	1,180,972	-
<u>(3,883,850)</u>	<u>1,226,670</u>	<u>5,110,520</u>
(28,792,432)	8,332,145	37,124,577
48,595,568	48,595,568	-
<u>\$ 19,803,136</u>	<u>\$ 56,927,713</u>	<u>\$ 37,124,577</u>

STOCKTON UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 2001

	Self- Insurance
OPERATING REVENUE	
Other local revenues	<u>\$ 3,221,049</u>
OPERATING EXPENSES	
Books and supplies	10,854
Services and other operating expenditures	3,880,247
Total Operating Expenses	<u>3,891,101</u>
OPERATING LOSS	<u>(670,052)</u>
NONOPERATING REVENUES/(EXPENSES)	
Interest	239,791
Operating transfers out	(143,904)
Total Nonoperating revenues/(expenses)	<u>95,887</u>
NET LOSS	(574,165)
RETAINED EARNINGS, BEGINNING OF YEAR	3,404,641
RETAINED EARNINGS, END OF YEAR	<u>\$ 2,830,476</u>

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Self- Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (670,052)
Changes in assets and liabilities	
(Increase)/decrease in:	
Accounts receivable	22,614
Due from other funds	(579,392)
Prepaid expenditures	492,630
Increase/(decrease) in:	
Accounts payable	(3,139)
Due to other funds	(1,764,375)
Claims liability	181,895
Net Cash Flows Used for Operating Activities	<u>(2,319,819)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>239,791</u>
CASH FLOWS FROM NON-INVESTING ACTIVITIES	
Transfer to General fund	<u>(143,904)</u>
NET DECREASE IN CASH	(2,223,932)
CASH, BEGINNING OF YEAR	4,255,707
CASH, END OF YEAR	<u><u>\$ 2,031,775</u></u>

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Stockton Unified School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, except that a complete historical cost record of fixed assets has not been maintained. The Stockton Unified School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The District includes all funds and account groups that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. For financial reporting purposes, the component units discussed below are reported in the District's financial statements because of the significance of their relationship with the District. The component units, although legally separate entities, are reported in the financial statements as if they were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

B. Component Units

The District has a financial and operational relationship with the Stockton Unified School District Community Facilities District No. 1 (CFD) and the Stockton Unified School District Financing Corporation (Financial Corporation). These relationships meet the reporting entity definition criteria of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* Section 2100, for the inclusion as a component unit of the District. Accordingly, the financial activities of these entities have been included in the financial statements of the District.

1. Stockton Unified School District Community Facilities District No. 1

Pursuant to the Mello-Roos Community Facilities Act of 1982, the School District established the Community Facilities District, a legally constituted governmental entity established for the purpose of financing special capital projects. The financial activity of the CFD is accounted for in the Community Facilities District Capital Projects fund.

2. Stockton Unified School District Financing Corporation

The purpose is to finance the acquisition and construction of school facility improvements together with necessary furniture and equipment to be located at the Rio Calaveras and San Joaquin Elementary sites financial activity. The financial activity of the Financing Corporation is accounted for in the Capital Facilities Fund.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

C. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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 balance (or retained earnings), 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. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains an Adult Education (11), Cafeteria (13), Child Development (12), and Deferred Maintenance (14) Special Revenue funds.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs. The District maintains Bond Interest and Redemption (51) and Tax Override (53) Debt Service funds.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains Building (21), Capital Facilities (25), State School Building (30), Community Facilities (77), and County Schools Facilities Capital Projects funds.

Proprietary Funds

- Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains a Self Insurance (67) fund.

Fiduciary Funds

- Expendable trust funds are used to account for assets held by the District as trustee. The District maintains a Retiree Benefits (71) and Payroll Clearing (76) funds.
- Agency Funds are used to account for assets of others for which the District acts as agent.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

Account Group

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the fixed assets and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the District. The district does not maintain a general fixed asset account group.

- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

STOCKTON UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Revenue Limit Sources				
State apportionments	\$ 112,744,621	\$ 2,500,559	\$ -	\$ -
Local sources	44,698,909	-	-	-
Total Revenue Limit Sources	157,443,530	2,500,559	-	-
Federal revenues	20,254,271	8,009,577	-	-
Other state revenues	81,820,059	3,696,776	9	1,877,499
Other local revenues	9,676,957	2,343,971	14,560	2,384,968
Tuition and transfers	53,409	-	-	-
Total Revenues	269,248,226	16,550,883	14,569	4,262,467
EXPENDITURES				
Current Expenditures				
Certificated salaries	130,693,615	2,899,477	-	-
Classified salaries	39,432,733	4,352,380	-	-
Employee benefits	37,945,016	2,182,518	-	-
Books and supplies	12,585,920	3,847,356	-	-
Services and operating expenditures	22,671,792	1,353,912	-	899,578
Other outgo	(528,380)	609,938	-	-
Capital outlay	9,220,182	1,329,657	-	12,106,490
Debt service - principal	-	-	-	471,718
Debt service - interest and other	476,774	-	10,215	409,623
Total Expenditures	252,497,652	16,575,238	10,215	13,887,409
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	16,750,574	(24,355)	4,354	(9,624,942)
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	45,698	1,083,411	-	334,827
Operating transfers out	(1,083,411)	-	-	(334,827)
Other sources	1,180,972	-	-	228,000
Total Other Financing Sources/(Uses)	143,259	1,083,411	-	228,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	16,893,833	1,059,056	4,354	(9,396,942)
FUND BALANCE, BEGINNING OF YEAR	23,871,617	11,002,754	74,394	13,646,803
FUND BALANCE, END OF YEAR	\$ 40,765,450	\$ 12,061,810	\$ 78,748	\$ 4,249,861

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Group	Total (Memorandum Only)
Self- Insurance	Trust and Agency	General Long-Term Debt	
\$ -	\$ 1,541,484	\$ -	\$ 2,514,717
2,031,775	1,404,628	-	83,732,837
26,987	110,756	-	11,481,164
2,523,450	926,346	-	4,881,307
-	-	-	1,766,674
-	291,337	-	358,626
-	-	2,584,465	2,584,465
-	-	21,850,244	21,850,244
<u>\$ 4,582,212</u>	<u>\$ 4,274,551</u>	<u>\$ 24,434,709</u>	<u>\$ 129,170,034</u>
126,763	422,561	-	13,885,927
47,554	1,717,775	-	4,881,307
-	-	-	10,500,000
-	-	-	11,770,112
-	1,612,100	-	1,612,100
1,577,419	-	-	1,577,419
-	-	24,434,709	24,434,709
<u>1,751,736</u>	<u>3,752,436</u>	<u>24,434,709</u>	<u>68,661,574</u>
2,830,476	-	-	2,830,476
-	29,992	-	13,431,302
-	-	-	24,182,554
-	492,123	-	20,064,128
<u>2,830,476</u>	<u>522,115</u>	<u>-</u>	<u>60,508,460</u>
<u>\$ 4,582,212</u>	<u>\$ 4,274,551</u>	<u>\$ 24,434,709</u>	<u>\$ 129,170,034</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

F. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

G. Stores Inventory

Inventory is valued at the lower cost or market utilizing the weighted average method. Inventory in the applicable funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve that indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

H. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

I. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is not significant. The noncurrent portion of the liability is recognized in the general long-term debt account group.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

J. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

K. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The County of San Joaquin bills and collects the taxes for the District. The District recognizes tax revenues when received.

L. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the internal service fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash in County Treasury is considered a cash equivalent for purposes of this statement.

M. Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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/expenses during the reporting period. Actual results could differ from those estimates.

O. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #2 – CASH

Cash at June 30, 2001, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Cash on hand and in banks	\$265,917	\$ -	\$1,513,068	\$1,778,985	\$1,674,977
Cash with fiscal agent	-	-	819,971	819,971	819,971
Cash awaiting deposit	-	-	-	-	19,769
Total	<u>\$265,917</u>	<u>\$ -</u>	<u>\$2,333,039</u>	<u>\$2,598,956</u>	<u>\$2,514,717</u>

*These categories are as follows:

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

NOTE #3 – INVESTMENTS

Investments at June 30, 2001, held on behalf of the Stockton Unified School District are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category *			Reported Amount	Fair Value
	1	2	3		
Corporate Note	\$ -	\$10,631,710	\$ -	\$10,631,710	\$10,631,710
Uncategorized:					
Wells Fargo Money Market Fund				1,362,630	1,362,630
Blackrock Provident Institutional Funds				634,400	634,400
Deposits with county treasurer				69,863,765	70,568,062
Investment in State Treasurer's Pool				1,240,332	1,243,107
				<u>73,101,127</u>	<u>73,808,199</u>
				<u>\$83,732,837</u>	<u>\$84,439,909</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

*These categories are as follows:

- Category 1: Insured or registered, or securities held by the District/Corporation or its agent in the District's name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
- Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the District's name.

A. Authorized Investments

The District is authorized to make direct investments in local agency bonds, notes or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

B. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of San Joaquin. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

C. Investment in State Treasurer's Pool

The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California authorized under Section 164429.1, 2, and 3 of the California Government code. The fund is a voluntary program created by statute as an investment alternative for California local governments and special district. The California State Treasurer administers the fund. The District deposits excess cash in LAIF for investment purposes. LAIF is not required to be categorized. The pool sponsor provided the fair value for these deposits.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2001, consist of the following:

	General	Special Revenue	Debt Service	Capital Projects	Proprietary	Fiduciary	Total
Federal Government							
Categorical aid	\$ 1,523,679	\$ 1,376,949	\$ -	\$ -	\$ -	\$ -	\$ 2,900,628
State Government							
Apportionment	-	2,101	-	-	-	-	2,101
Lottery	2,588,829	-	-	-	-	-	2,588,829
Other state	2,562,196	149,069	-	-	-	-	2,711,265
Local Government							
Interest	776,259	129,584	356	75,041	26,987	7,343	1,015,570
Other Local Sources	1,057,813	1,076,698	-	24,847	-	103,413	2,262,771
Total	<u>\$ 8,508,776</u>	<u>\$ 2,734,401</u>	<u>\$ 356</u>	<u>\$ 99,888</u>	<u>\$ 26,987</u>	<u>\$ 110,756</u>	<u>\$ 11,481,164</u>

NOTE #5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2001, are as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 361,968	\$ 2,402,620
Adult Education	-	71,524
Child Development	3,273	21,997
Cafeteria	3,752	17,640
Deferred Maintenance	462,518	2,197
Capital Facilities	-	600,000
County School Facilities	600,000	-
Self-Insurance	2,523,450	47,554
Retiree Benefits	-	34,910
Payroll Clearing	926,346	1,682,865
Total	<u>\$ 4,881,307</u>	<u>\$ 4,881,307</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2001, are as follows:

The General fund transferred to the Deferred Maintenance fund for the state match.	\$ 962,518
The General fund transferred to the Adult Education fund for construction at Wilson school.	120,893
The Capital Facilities fund transferred to the State School Building fund to reimburse the fund for construction costs.	11,001
The Capital facilities fund transferred to the County School Facilities fund for new construction projects.	323,826
The Self-Insurance fund transferred to the Retiree Benefit fund for support costs.	98,206
The Self-Insurance fund transferred to the General fund to reimburse insurance costs.	45,698
Total	<u>\$ 1,562,142</u>

NOTE #6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2001, consists of the following:

	General	Special Revenue	Capital Projects	Proprietary	Fiduciary	Total
Salaries and benefits	\$ 3,887,658	\$ -	\$ -	\$ -	\$ -	\$ 3,887,658
State apportionment	387,386	-	-	-	-	387,386
State categorical	424,399	198,737	-	-	-	623,136
Federal categorical	23,836	-	-	-	-	23,836
Other	5,215,974	667,784	2,530,829	126,763	422,561	8,963,911
Total	<u>\$ 9,939,253</u>	<u>\$ 866,521</u>	<u>\$ 2,530,829</u>	<u>\$ 126,763</u>	<u>\$ 422,561</u>	<u>\$ 13,885,927</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #7 – DEFERRED REVENUE

Deferred revenue at June 30, 2001, consists of the following:

	General	Special Revenue	Total
Federal financial assistance	\$ 3,783,913	\$ 4,670	\$ 3,788,583
State categorical aid	7,273,521	199,764	7,473,285
Other local	508,097	147	508,244
Total	<u>\$ 11,565,531</u>	<u>\$ 204,581</u>	<u>\$ 11,770,112</u>

NOTE #8 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Debt Service	Capital Projects	Fiduciary	Total
Reserved						
Revolving cash	\$ 70,000	\$ 1,471	\$ -	\$ -	\$ -	\$ 71,471
Stores inventory	1,134,073	632,601	-	-	-	1,766,674
Prepaid expenditures	66,989	300	-	-	29,992	97,281
Restricted programs	11,495,876	-	-	-	-	11,495,876
Total Reserved	<u>12,766,938</u>	<u>634,372</u>	<u>-</u>	<u>-</u>	<u>29,992</u>	<u>13,431,302</u>
Unreserved						
Designated						
Economic uncertainties	5,071,261	-	-	-	-	5,071,261
QZAB debt service	820,000	-	-	-	-	820,000
Purchase order carryover	1,360,148	-	-	-	-	1,360,148
Site and department carryover	5,242,962	-	-	-	-	5,242,962
Prior year salary payment	4,795,190	-	-	-	-	4,795,190
Capital projects	2,500,000	-	-	-	-	2,500,000
One time funding	4,392,993	-	-	-	-	4,392,993
Total Designated	<u>24,182,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,182,554</u>
Undesignated	3,815,958	11,427,438	78,748	4,249,861	492,123	20,064,128
Total Unreserved	<u>27,998,512</u>	<u>11,427,438</u>	<u>78,748</u>	<u>4,249,861</u>	<u>492,123</u>	<u>44,246,682</u>
Total	<u>\$ 40,765,450</u>	<u>\$ 12,061,810</u>	<u>\$ 78,748</u>	<u>\$ 4,249,861</u>	<u>\$ 522,115</u>	<u>\$ 57,677,984</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE #9 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
General obligation bonds	\$ 16,000	\$ -	\$ -	\$ 16,000
State school building loans	27,052	1,298	10,312	18,038
Certificates of participation	16,305,000	-	410,000	15,895,000
Accumulated vacation - net	1,723,853	379,186	-	2,103,039
Early retirement benefits	3,754,704	1,342,562	1,114,958	3,982,308
Capital leases	1,166,581	-	381,257	785,324
Qualified zone academy bonds	1,635,000	-	-	1,635,000
	<u>\$24,628,190</u>	<u>\$ 1,723,046</u>	<u>\$1,916,527</u>	<u>24,434,709</u>

Amount currently available and reserved
for retirement of general long-term debt

Bond interest and redemption	50,560
Tax override	28,188
Community facilities district	1,685,717
General fund	820,000
	<u>2,584,465</u>

Amount to be provided for retirement of
general long-term debt

\$21,850,244

B. Bonded Debt

The District has a total obligation of \$16,000 related to outstanding General Obligation Bonds, which represent an amount for bonds that remain unpaid but have matured.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

C. State and Public School Building Loans

State school building loans outstanding as of June 30, 2001, are as follows:

<u>Year Disbursed</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Interest Charge</u>	<u>Repayment and State Credit Current Year</u>	<u>Outstanding End of Year</u>
1977-80	4.5-5.5%	\$ 8,593	\$ 414	\$ 4,006	\$ 5,001
1977-80	4.9-5.5%	18,459	884	6,306	13,037
		<u>\$ 27,052</u>	<u>\$ 1,298</u>	<u>\$ 10,312</u>	<u>\$ 18,038</u>

The State and Public School Building Loans are secured by all sites purchased and improved, all equipment purchased, and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Section 16019 of the Education Code.

Annual repayment is determined by the State Controller in accordance with Section 16214 of the Education Code.

D. Certificates of Participation

In February 1997, the Stockton Unified School District Financing Corporation issued certificates of participation in the amount of \$17,500,000 with interest rates ranging from 4.85 to 5.45 percent with maturity dates through 2015. June 30, 2001, the principal balance outstanding was \$15,895,000.

The certificates mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 430,000	\$ 836,725	\$ 1,266,725
2003	450,000	815,655	1,265,655
2004	470,000	793,605	1,263,605
2005	495,000	770,575	1,265,575
2006	520,000	746,072	1,266,072
Thereafter	13,530,000	7,027,170	20,557,170
Total	<u>\$ 15,895,000</u>	<u>\$ 10,989,802</u>	<u>\$ 26,884,802</u>

E. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2001, amounted to \$2,103,039.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

F. Postemployment Benefits

The District provides postemployment health care benefits to age 65, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least ten years of service. Currently, 273 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as premiums are paid. During the year, expenditures of \$1,114,958 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2001, amounts to \$3,982,308. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2001, multiplied by the number of years of payments remaining.

G. Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	<u>General Fund</u>		<u>Total</u>
	<u>Site and Improvements</u>	<u>Communication and Other Equipment</u>	
Balance, Beginning of Year	\$ 1,131,510	\$ 193,253	\$ 1,324,763
Payments	(377,170)	(82,056)	(459,226)
Balance, End of Year	<u>\$ 754,340</u>	<u>\$ 111,197</u>	<u>\$ 865,537</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>General Fund</u>		<u>Total</u>
	<u>Site and Improvements</u>	<u>Communication and Other Equipment</u>	
2002	\$ 377,170	\$ 82,056	\$ 459,226
2003	377,170	29,141	406,311
Total	<u>\$ 754,340</u>	<u>\$ 111,197</u>	865,537
Less: Amount Representing Interest			(80,213)
Present Value of Minimum Lease Payments			<u>\$ 785,324</u>

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

H. Qualified Zone Academy Bonds

On June 1, 2000, the District issued \$1,635,000 in Qualified Zone Academy Bonds and entered into a purchase contract in the amount of \$1,637,501 with the Bank of Agriculture of Commerce (the Bank), whereby the Bank has agreed to finance the acquisition of certain improvements to the District's Weber Institute and sell the improvements to the District upon specified terms and conditions. Under the terms of the contract, the District has deposited \$770,000 with the Bank as collateral for bonds, which the Bank will hold for the account of the District in the form of a certificate of deposit bearing interest at 6.304 percent per annum (compounded monthly), and payable on June 13, 2012. The certificate of deposit together with interest earnings will be sufficient to repay the Bonds, which mature on June 13, 2012.

NOTE #10 – INTERNAL SERVICE FUND – SELF-INSURANCE

A. Trust Account

To facilitate the processing of dental claims, a revolving type of trust bank account was established. All claims arising are handled by the District's Independent Administrator, California Schools' Dental Coalition, who writes and issues checks in settlement of claims against the District.

B. Internal Service – Self-Insurance Fund

The District maintains a Self-Insurance Fund for the self-insurance of the first \$100,000 per occurrence of fire claims and \$100,000 of liability claims. For liability claims between \$100,000 and \$1,000,000, the District participates in the Northern California Regional Excess Liability Fund, a JPA (see Note #13). For claims exceeding \$1,000,000 the District is insured by Schools' Excess Liability Fund.

C. Risk Management

The District maintains the Self-Insurance Fund to pay self-insurance claims and collect premiums for health insurance from the District Funds which have payrolls. The self-insurance claims and premiums are then paid out of the Self-Insurance Fund to commercial carriers.

D. Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based upon actual claims filed subsequent to year-end.

E. Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

The following represent the changes in approximate aggregate liabilities for the District from July 1, 1999 to June 30, 2001:

	<u>Health Care</u>	<u>Property and Liability</u>	<u>Total</u>
Liability Balance, July 1, 1999	\$ 852,419	\$ 676,000	\$ 1,528,419
Claims and changes in estimates	3,022,288	59,942	3,082,230
Claims payments	<u>(3,022,288)</u>	<u>(192,837)</u>	<u>(3,215,125)</u>
Liability Balance, June 30, 2000	852,419	543,105	1,395,524
Claims and changes in estimates	2,501,721	588,887	3,090,608
Claims payments	<u>(2,501,721)</u>	<u>(406,992)</u>	<u>(2,908,713)</u>
Liability Balance, June 30, 2001	<u>\$ 852,419</u>	<u>\$ 725,000</u>	<u>\$ 1,577,419</u>
Assets available to pay claims at June 30, 2001			<u>\$ 4,407,895</u>

NOTE #11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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 Public Employees' Retirement System (PERS).

A. STRS

Plan Description

The District contributes to the California 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 and disability benefits 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 STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2000-2001 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 2001, 2000, and 1999 were \$10,236,207, \$8,708,741, and \$7,927,160, respectively, and equal 100 percent of the required contributions for each year.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

B. PERS

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 Laws. 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 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (prior to January 1, 2001, 7.0 percent of monthly salary over \$133.33 if the member participates in Social Security) 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 2000-2001 was zero percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District was not required to make contributions to CalPERS for the fiscal years ending June 30, 2001, 2000, and 1999.

C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$6,251,531 (5.0385 percent of salaries subject to STRS) and \$32,075 (.092 percent of salaries subject to PERS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (J-200). These amounts also have not been recorded in these financial statements.

D. Defined Contribution Pension Plan

The District also contributes to a defined contribution pension plan. A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

STOCKTON UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use the Plan as its alternative plan. Contributions made by the District and an employee vest immediately. The District is currently using the SISC defined contribution pension plan. During the year, the District's required and actual contributions amounted to \$226,140.

NOTE #12 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the District's financial statements.

B. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

C. Construction Commitments

As of June 30, 2001, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Hazelton HDCP Restroom Remodel	\$ 162,756	September 2001
Edison Modernization	370,282	October 2001
Edison Annex (Sitework)	1,186,749	December 2001
Edison Annex (Buildings)	2,514,167	December 2001
19 State Lease Portables	761,932	April 2002
Edison HVAC	250,908	September 2001
Other Various Projects	248,631	Various
Total	<u>\$ 5,495,425</u>	

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

D. Operating Leases

The District is leasing portable classrooms from outside parties. The following is a schedule by years of minimum future rentals due from the District on operating leases as of June 30, 2001:

Year Ending June 30,	Amount
2002	\$ 343,544
2003	343,544
2004	343,544
Total Minimum Future Rentals	<u>\$ 1,030,632</u>

NOTE #13 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the San Joaquin County Schools' Workers' Compensation Insurance Group (SJCSWCIG) and the Schools' Excess Liability Fund (SELF) public entity risk pools (JPAs). The District pays an annual premium to the applicable entity for its workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

A. <u>Entity</u>	San Joaquin County Schools' Workers' Compensation Insurance Group	Schools' Excess Liability Fund	Northern California Regional Liability Excess Fund
B. <u>Purpose</u>	Arrange and provide for workers' compensation insurance.	Provide property and liability insurance.	Operate and maintain a self- insurance program for liability and property damage.
C. <u>Participants</u>	School districts/county schools' offices in San Joaquin County	School district/county offices	School district/county offices
D. <u>Governing Board</u>	One member of each participating district	One member of each participating district	One member of each participating district
E. <u>Condensed Audited Financial Information Follows</u>			
	June 30, 2000*	June 30, 2000*	June 30, 2000*
Assets	\$ 2,682,002	\$ 109,663,001	\$ 18,787,099
Liabilities	1,318,832	50,258,971	13,200,212
Fund Equity	\$ 1,363,170	\$ 59,404,030	\$ 5,586,887
Revenues	19,013,903	13,318,569	8,132,832
Expenses	18,971,674	(721,004)	12,268,830
Net Increase/(Decrease) in Fund Equity	\$ 42,229	\$ 14,039,573	\$ (4,135,998)
F. <u>Payments for the Current Year</u>	\$ 3,721,288	\$ 39,384	\$ 18,293

* Most recent information available.

The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the SJCSWCIG.

None of the JPA's had long-term debts outstanding at June 30, 2000. The District's share of year-end assets, liabilities or fund equity has not been calculated.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #14 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2001, the following District fund exceeded the budgeted amounts in total as follows:

	Expenditures and Other Uses		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Community Facilities District	<u>\$542,862</u>	<u>\$ 609,462</u>	<u>\$ 66,600</u>

NOTE #15 – TAX AND REVENUE ANTICIPATION NOTES

On November 24, 2000, the District issued \$10,500,000 Tax and Revenue Anticipation Notes bearing interest at 3.63 percent. Interest and principal were due and payable on February 28, 2001. By May 31, 2001, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. The District was not required to make any additional payments on the notes. The District has recorded the cash available to make the principal and interest payments as an investment and the corresponding liability as a current loan.

NOTE #16 – NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

- A. Management's Discussion and Analysis (MD&A)
- B. Basic Financial Statements which include:
 - Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
 - Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
 - Required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

- C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2002. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

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STOCKTON UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	Adult Education (11)	Cafeteria (13)	Child Development (12)
ASSETS			
Cash	\$ 2,000	\$ 81,262	\$ -
Investments	2,436,641	3,845,782	360,359
Accounts receivable	256,192	1,472,580	11,802
Due from other funds	-	3,752	3,273
Stores inventory	-	632,601	-
Prepaid expenditures	-	-	300
Total Assets	<u>\$ 2,694,833</u>	<u>\$ 6,035,977</u>	<u>\$ 375,734</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	47,373	99,471	216,316
Due to other funds	71,524	17,640	21,997
Deferred revenue	199,942	-	4,639
Total Liabilities	<u>318,839</u>	<u>117,111</u>	<u>242,952</u>
FUND EQUITY			
Fund balances			
Reserved	-	634,072	300
Unreserved			
Undesignated	2,375,994	5,284,794	132,482
Total Fund Equity	<u>2,375,994</u>	<u>5,918,866</u>	<u>132,782</u>
Total Liabilities and Fund Equity	<u>\$ 2,694,833</u>	<u>\$ 6,035,977</u>	<u>\$ 375,734</u>

The accompanying notes are an integral part of these financial statements.

Deferred Maintenance (14)	Total
\$ -	\$ 83,262
2,683,381	9,326,163
993,827	2,734,401
462,518	469,543
-	632,601
-	300
<u>\$ 4,139,726</u>	<u>\$ 13,246,270</u>

503,361	866,521
2,197	113,358
-	204,581
<u>505,558</u>	<u>1,184,460</u>

-	634,372
<u>3,634,168</u>	<u>11,427,438</u>
<u>3,634,168</u>	<u>12,061,810</u>
<u>\$ 4,139,726</u>	<u>\$ 13,246,270</u>

STOCKTON UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Adult Education (11)	Cafeteria (13)	Child Development (12)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 2,500,559	\$ -	\$ -
Federal revenues	214,875	7,764,409	30,293
Other state revenues	22,992	525,887	2,290,979
Other local revenues	247,237	1,946,145	20,806
Total Revenues	<u>2,985,663</u>	<u>10,236,441</u>	<u>2,342,078</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	1,939,132	-	960,345
Classified salaries	298,245	3,479,588	574,547
Employee benefits	423,038	1,363,941	395,539
Books and supplies	123,817	3,604,501	116,478
Services and operating expenditures	229,369	328,863	138,883
Other outgo	135,907	377,960	96,071
Capital outlay	385,539	12,884	56,077
Total Expenditures	<u>3,535,047</u>	<u>9,167,737</u>	<u>2,337,940</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(549,384)</u>	<u>1,068,704</u>	<u>4,138</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	120,893	-	-
Total Other Financing Sources/(Uses)	<u>120,893</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(428,491)</u>	<u>1,068,704</u>	<u>4,138</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,804,485</u>	<u>4,850,162</u>	<u>128,644</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,375,994</u>	<u>\$ 5,918,866</u>	<u>\$ 132,782</u>

The accompanying notes are an integral part of these financial statements.

<u>Deferred Maintenance (14)</u>	<u>Total</u>
\$ -	\$ 2,500,559
-	8,009,577
856,918	3,696,776
129,783	2,343,971
<u>986,701</u>	<u>16,550,883</u>
-	2,899,477
-	4,352,380
-	2,182,518
2,560	3,847,356
656,797	1,353,912
-	609,938
875,157	1,329,657
<u>1,534,514</u>	<u>16,575,238</u>
<u>(547,813)</u>	<u>(24,355)</u>
<u>962,518</u>	<u>1,083,411</u>
<u>962,518</u>	<u>1,083,411</u>
414,705	1,059,056
3,219,463	11,002,754
<u>\$ 3,634,168</u>	<u>\$ 12,061,810</u>

STOCKTON UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Adult Education (11)		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 2,423,724	\$ 2,500,559	\$ 76,835
Federal revenues	256,275	214,875	(41,400)
Other state revenues	222,756	22,992	(199,764)
Other local revenues	139,830	247,237	107,407
Total Revenues	<u>3,042,585</u>	<u>2,985,663</u>	<u>(56,922)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	1,877,893	1,939,132	(61,239)
Classified salaries	318,121	298,245	19,876
Employee benefits	460,470	423,038	37,432
Books and supplies	391,645	123,817	267,828
Services and operating expenditures	295,745	229,369	66,376
Other outgo	120,016	135,907	(15,891)
Capital outlay	450,353	385,539	64,814
Total Expenditures	<u>3,914,243</u>	<u>3,535,047</u>	<u>379,196</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(871,658)</u>	<u>(549,384)</u>	<u>322,274</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	120,893	120,893	-
Total Other Financing Sources/(Uses)	<u>120,893</u>	<u>120,893</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(750,765)</u>	<u>(428,491)</u>	<u>322,274</u>
FUND BALANCE, BEGINNING OF YEAR	2,804,485	2,804,485	-
FUND BALANCE, END OF YEAR	<u>\$ 2,053,720</u>	<u>\$ 2,375,994</u>	<u>\$ 322,274</u>

The accompanying notes are an integral part of these financial statements.

Cafeteria (13)			Child Development (12)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,173,950	7,764,409	(409,541)	35,337	30,293	(5,044)
515,982	525,887	9,905	2,893,704	2,290,979	(602,725)
1,948,404	1,946,145	(2,259)	147	20,806	20,659
<u>10,638,336</u>	<u>10,236,441</u>	<u>(401,895)</u>	<u>2,929,188</u>	<u>2,342,078</u>	<u>(587,110)</u>
-	-	-	1,017,958	960,345	57,613
3,921,438	3,479,588	441,850	627,530	574,547	52,983
1,695,026	1,363,941	331,085	462,762	395,539	67,223
4,642,074	3,604,501	1,037,573	250,934	116,478	134,456
314,909	328,863	(13,954)	317,642	138,883	178,759
346,777	377,960	(31,183)	134,743	96,071	38,672
104,791	12,884	91,907	117,619	56,077	61,542
<u>11,025,015</u>	<u>9,167,737</u>	<u>1,857,278</u>	<u>2,929,188</u>	<u>2,337,940</u>	<u>591,248</u>
<u>(386,679)</u>	<u>1,068,704</u>	<u>1,455,383</u>	-	4,138	4,138
-	-	-	-	-	-
-	-	-	-	-	-
(386,679)	1,068,704	1,455,383	-	4,138	4,138
4,850,162	4,850,162	-	128,644	128,644	-
<u>\$ 4,463,483</u>	<u>\$ 5,918,866</u>	<u>\$ 1,455,383</u>	<u>\$ 128,644</u>	<u>\$ 132,782</u>	<u>\$ 4,138</u>

STOCKTON UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Deferred Maintenance (14)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Federal revenues	-	-	-
Other state revenues	500,000	856,918	356,918
Other local revenues	15,000	129,783	114,783
Total Revenues	<u>515,000</u>	<u>986,701</u>	<u>471,701</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	2,560	(2,560)
Services and operating expenditures	1,985,075	656,797	1,328,278
Other outgo	-	-	-
Capital outlay	573,000	875,157	(302,157)
Total Expenditures	<u>2,558,075</u>	<u>1,534,514</u>	<u>1,023,561</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(2,043,075)</u>	<u>(547,813)</u>	<u>1,495,262</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	500,000	962,518	462,518
Total Other Financing Sources/(Uses)	<u>500,000</u>	<u>962,518</u>	<u>462,518</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(1,543,075)	414,705	1,957,780
FUND BALANCE, BEGINNING OF YEAR	3,219,463	3,219,463	-
FUND BALANCE, END OF YEAR	<u>\$ 1,676,388</u>	<u>\$ 3,634,168</u>	<u>\$ 1,957,780</u>

The accompanying notes are an integral part of these financial statements.

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,423,724	\$ 2,500,559	\$ 76,835
8,465,562	8,009,577	(455,985)
4,132,442	3,696,776	(435,666)
2,103,381	2,343,971	240,590
<u>17,125,109</u>	<u>16,550,883</u>	<u>(574,226)</u>
2,895,851	2,899,477	(3,626)
4,867,089	4,352,380	514,709
2,618,258	2,182,518	435,740
5,284,653	3,847,356	1,437,297
2,913,371	1,353,912	1,559,459
601,536	609,938	(8,402)
1,245,763	1,329,657	(83,894)
<u>20,426,521</u>	<u>16,575,238</u>	<u>3,851,283</u>
<u>(3,301,412)</u>	<u>(24,355)</u>	<u>3,277,057</u>
<u>620,893</u>	<u>1,083,411</u>	<u>462,518</u>
<u>620,893</u>	<u>1,083,411</u>	<u>462,518</u>
(2,680,519)	1,059,056	3,739,575
11,002,754	11,002,754	-
<u>\$ 8,322,235</u>	<u>\$ 12,061,810</u>	<u>\$ 3,739,575</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	Bond Interest and <u>Redemption (51)</u>	Tax <u>Override (53)</u>	<u>Total</u>
ASSETS			
Investments	\$ 50,560	\$ 27,832	\$ 78,392
Accounts receivable	-	356	356
Total Assets	<u>\$ 50,560</u>	<u>\$ 28,188</u>	<u>\$ 78,748</u>
FUND EQUITY			
Fund balances			
Undesignated	50,560	28,188	78,748
Total Fund Equity	<u>50,560</u>	<u>28,188</u>	<u>78,748</u>
Total Liabilities and Fund Equity	<u>\$ 50,560</u>	<u>\$ 28,188</u>	<u>\$ 78,748</u>

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

**DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Bond Interest and Redemption (51)	Tax Override (53)	Total
REVENUES			
Other state revenues	\$ -	\$ 9	\$ 9
Other local revenues	2,959	11,601	14,560
Total Revenues	<u>2,959</u>	<u>11,610</u>	<u>14,569</u>
EXPENDITURES			
Current Expenditures			
Debt service - interest and other	-	10,215	10,215
Total Expenditures	<u>-</u>	<u>10,215</u>	<u>10,215</u>
 EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	 2,959	 1,395	 4,354
 FUND BALANCE, BEGINNING OF YEAR	 47,601	 26,793	 74,394
FUND BALANCE, END OF YEAR	<u>\$ 50,560</u>	<u>\$ 28,188</u>	<u>\$ 78,748</u>

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

DEBT SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Bond Interest and Redemption (51)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other state revenues	\$ -	\$ -	\$ -
Other local revenues	3,000	2,959	(41)
Total Revenues	<u>3,000</u>	<u>2,959</u>	<u>(41)</u>
EXPENDITURES			
Current Expenditures			
Debt service - interest and other	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	3,000	2,959	(41)
FUND BALANCE, BEGINNING OF YEAR	47,601	47,601	-
FUND BALANCE, END OF YEAR	<u>\$ 50,601</u>	<u>\$ 50,560</u>	<u>\$ (41)</u>

The accompanying notes are an integral part of these financial statements.

Tax Override (53)			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ 9	\$ 9	\$ -	\$ 9	\$ 9
13,500	11,601	(1,899)	16,500	14,560	(1,940)
<u>13,500</u>	<u>11,610</u>	<u>(1,890)</u>	<u>16,500</u>	<u>14,569</u>	<u>(1,931)</u>
13,500	10,215	3,285	13,500	10,215	3,285
<u>13,500</u>	<u>10,215</u>	<u>3,285</u>	<u>13,500</u>	<u>10,215</u>	<u>3,285</u>
-	1,395	1,395	3,000	4,354	1,354
26,793	26,793	-	74,394	74,394	-
<u>\$ 26,793</u>	<u>\$ 28,188</u>	<u>\$ 1,395</u>	<u>\$ 77,394</u>	<u>\$ 78,748</u>	<u>\$ 1,354</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	<u>Building (21)</u>	<u>Capital Facilities (25)</u>	<u>State School Building (30)</u>	<u>Community Facilities District (77)</u>
ASSETS				
Investments	\$ 228,000	\$ 4,388,780	\$ 31,268	\$ 1,660,453
Accounts receivable	156	46,534	1,727	25,264
Due from other funds	-	-	-	-
Total Assets	<u>\$ 228,156</u>	<u>\$ 4,435,314</u>	<u>\$ 32,995</u>	<u>\$ 1,685,717</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	-	1,562,342	-	600
Due to other funds	-	600,000	-	-
Total Liabilities	<u>-</u>	<u>2,162,342</u>	<u>-</u>	<u>600</u>
FUND EQUITY				
Fund balances				
Unreserved				
Undesignated	228,156	2,272,972	32,995	1,685,117
Total Fund Equity	<u>228,156</u>	<u>2,272,972</u>	<u>32,995</u>	<u>1,685,117</u>
Total Liabilities and Fund Equity	<u>\$ 228,156</u>	<u>\$ 4,435,314</u>	<u>\$ 32,995</u>	<u>\$ 1,685,717</u>

The accompanying notes are an integral part of these financial statements.

County Schools Facilities (35)	Total
\$ 372,301	\$ 6,680,802
26,207	99,888
600,000	600,000
<u>\$ 998,508</u>	<u>\$ 7,380,690</u>

967,887	2,530,829
-	600,000
<u>967,887</u>	<u>3,130,829</u>

<u>30,621</u>	<u>4,249,861</u>
<u>30,621</u>	<u>4,249,861</u>
<u>\$ 998,508</u>	<u>\$ 7,380,690</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Building (21)</u>	<u>Capital Facilities (25)</u>	<u>State School Building (30)</u>
REVENUES			
Other state revenues	\$ -	\$ -	\$ -
Other local revenues	156	1,024,573	25,913
Total Revenues	<u>156</u>	<u>1,024,573</u>	<u>25,913</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	-	800,053	-
Capital outlay	-	4,342,888	3,919
Debt service - principal	-	-	-
Debt service - interest and other	-	338,479	-
Total Expenditures	<u>-</u>	<u>5,481,420</u>	<u>3,919</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>156</u>	<u>(4,456,847)</u>	<u>21,994</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	11,001
Operating transfers out	-	(334,827)	-
Other sources	228,000	-	-
Total Other Financing Sources/(Uses)	<u>228,000</u>	<u>(334,827)</u>	<u>11,001</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	228,156	(4,791,674)	32,995
FUND BALANCE, BEGINNING OF YEAR	-	7,064,646	-
FUND BALANCE, END OF YEAR	<u>\$ 228,156</u>	<u>\$ 2,272,972</u>	<u>\$ 32,995</u>

The accompanying notes are an integral part of these financial statements.

<u>Community Facilities District (77)</u>	<u>County Schools Facilities (35)</u>	<u>Total</u>
\$ -	\$ 1,877,499	\$ 1,877,499
1,200,071	134,255	2,384,968
<u>1,200,071</u>	<u>2,011,754</u>	<u>4,262,467</u>
66,600	32,925	899,578
-	7,759,683	12,106,490
471,718	-	471,718
71,144	-	409,623
<u>609,462</u>	<u>7,792,608</u>	<u>13,887,409</u>
<u>590,609</u>	<u>(5,780,854)</u>	<u>(9,624,942)</u>
-	323,826	334,827
-	-	(334,827)
-	-	228,000
<u>-</u>	<u>323,826</u>	<u>228,000</u>
590,609	(5,457,028)	(9,396,942)
1,094,508	5,487,649	13,646,803
<u>\$ 1,685,117</u>	<u>\$ 30,621</u>	<u>\$ 4,249,861</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Capital Facilities (25)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other state revenues	\$ -	\$ -	\$ -
Other local revenues	2,162,676	1,024,573	(1,138,103)
Total Revenues	<u>2,162,676</u>	<u>1,024,573</u>	<u>(1,138,103)</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	256,311	800,053	(543,742)
Capital outlay	7,937,281	4,342,888	3,594,393
Debt service - principal	-	-	-
Debt service - interest and other	695,475	338,479	356,996
Total Expenditures	<u>8,889,067</u>	<u>5,481,420</u>	<u>3,407,647</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(6,726,391)</u>	<u>(4,456,847)</u>	<u>2,269,544</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(5,064,822)	(334,827)	4,729,995
Total Other Financing Sources/(Uses)	<u>(5,064,822)</u>	<u>(334,827)</u>	<u>4,729,995</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(11,791,213)	(4,791,674)	6,999,539
FUND BALANCE, BEGINNING OF YEAR	7,064,646	7,064,646	-
FUND BALANCE, END OF YEAR	<u><u>\$ (4,726,567)</u></u>	<u><u>\$ 2,272,972</u></u>	<u><u>\$ 6,999,539</u></u>

The accompanying notes are an integral part of these financial statements.

State School Building (30)			Community Facilities District (77)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,607,072	\$ -	\$ (6,607,072)	\$ -	\$ -	\$ -
1,380,935	25,913	(1,355,022)	-	1,200,071	1,200,071
<u>7,988,007</u>	<u>25,913</u>	<u>(7,962,094)</u>	<u>-</u>	<u>1,200,071</u>	<u>1,200,071</u>
31,407	-	31,407	-	66,600	(66,600)
7,960,520	3,919	7,956,601	-	-	-
-	-	-	471,718	471,718	-
-	-	-	71,144	71,144	-
<u>7,991,927</u>	<u>3,919</u>	<u>7,988,008</u>	<u>542,862</u>	<u>609,462</u>	<u>(66,600)</u>
(3,920)	21,994	25,914	(542,862)	590,609	1,133,471
-	11,001	11,001	-	-	-
-	-	-	-	-	-
-	11,001	11,001	-	-	-
(3,920)	32,995	36,915	(542,862)	590,609	1,133,471
-	-	-	1,094,508	1,094,508	-
<u>\$ (3,920)</u>	<u>\$ 32,995</u>	<u>\$ 36,915</u>	<u>\$ 551,646</u>	<u>\$ 1,685,117</u>	<u>\$ 1,133,471</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	County Schools Facilities (35)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other state revenues	\$ -	\$ 1,877,499	\$ 1,877,499
Other local revenues	-	134,255	134,255
Total Revenues	<u>-</u>	<u>2,011,754</u>	<u>2,011,754</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	795,713	32,925	762,788
Capital outlay	9,840,504	7,759,683	2,080,821
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>10,636,217</u>	<u>7,792,608</u>	<u>2,843,609</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(10,636,217)</u>	<u>(5,780,854)</u>	<u>4,855,363</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	323,826	323,826
Operating transfers out	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>323,826</u>	<u>323,826</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(10,636,217)</u>	<u>(5,457,028)</u>	<u>5,179,189</u>
FUND BALANCE, BEGINNING OF YEAR	5,487,649	5,487,649	-
FUND BALANCE, END OF YEAR	<u>\$ (5,148,568)</u>	<u>\$ 30,621</u>	<u>\$ 5,179,189</u>

The accompanying notes are an integral part of these financial statements.

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,607,072	\$ 1,877,499	\$ (4,729,573)
3,543,611	2,384,812	(1,158,799)
<u>10,150,683</u>	<u>4,262,311</u>	<u>(5,888,372)</u>
1,083,431	899,578	183,853
25,738,305	12,106,490	13,631,815
471,718	471,718	-
766,619	409,623	356,996
<u>28,060,073</u>	<u>13,887,409</u>	<u>14,172,664</u>
<u>(17,909,390)</u>	<u>(9,625,098)</u>	<u>8,284,292</u>
-	334,827	334,827
<u>(5,064,822)</u>	<u>(334,827)</u>	<u>4,729,995</u>
<u>(5,064,822)</u>	<u>-</u>	<u>5,064,822</u>
(22,974,212)	(9,625,098)	13,349,114
13,646,803	13,646,803	-
<u>\$ (9,327,409)</u>	<u>\$ 4,021,705</u>	<u>\$ 13,349,114</u>

STOCKTON UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES
TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	Retiree Benefits (71)	Payroll Clearing (76)	Student Body Funds	Total
ASSETS				
Cash	\$ -	\$ -	\$ 1,541,484	\$ 1,541,484
Investments	495,212	909,416	-	1,404,628
Accounts receivable	31,961	8,179	70,616	110,756
Due from other funds	-	926,346	-	926,346
Prepaid expenditures	29,992	261,345	-	291,337
Total Assets	<u>\$ 557,165</u>	<u>\$ 2,105,286</u>	<u>\$ 1,612,100</u>	<u>\$ 4,274,551</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	140	422,421	-	422,561
Due to other funds	34,910	1,682,865	-	1,717,775
Due to student groups	-	-	1,612,100	1,612,100
Total Liabilities	<u>35,050</u>	<u>2,105,286</u>	<u>1,612,100</u>	<u>3,752,436</u>
FUND EQUITY				
Fund balances				
Reserved	29,992	-	-	29,992
Unreserved				
Undesignated	492,123	-	-	492,123
Total Fund Equity	<u>522,115</u>	<u>-</u>	<u>-</u>	<u>522,115</u>
Total Liabilities and Fund Equity	<u>\$ 557,165</u>	<u>\$ 2,105,286</u>	<u>\$ 1,612,100</u>	<u>\$ 4,274,551</u>

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES
TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Retiree Benefits (71)</u>	<u>Payroll Clearing (76)</u>	<u>Total</u>
REVENUES			
Interest	\$ 17,358	\$ -	\$ 17,358
Other local	2,441,585	-	2,441,585
Total Revenues	<u>2,458,943</u>	<u>-</u>	<u>2,458,943</u>
EXPENDITURES			
Services and operating expense	<u>2,035,034</u>	<u>-</u>	<u>2,035,034</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>423,909</u>	<u>-</u>	<u>423,909</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	<u>98,206</u>	<u>-</u>	<u>98,206</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	522,115	-	522,115
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 522,115</u>	<u>\$ -</u>	<u>\$ 522,115</u>

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2001**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash				
Edison High School	\$ 69,645	\$ 337,709	\$ 343,501	\$ 63,853
Franklin High School	137,174	409,271	343,044	203,401
Stagg High School	104,450	427,132	435,726	95,856
Weber Institute of Technology	17,328	26,565	31,986	11,907
General Activities	516,295	1,230,464	1,202,979	543,780
Scholarship Account	593,884	43,284	14,481	622,687
Total Cash	<u>1,438,776</u>	<u>2,474,425</u>	<u>2,371,717</u>	<u>1,541,484</u>
Accounts Receivable				
Scholarship Account	72,068	2,473	3,925	70,616
Total Assets	<u>\$ 1,510,844</u>	<u>\$2,476,898</u>	<u>\$2,375,642</u>	<u>\$ 1,612,100</u>
LIABILITIES				
Due to student groups				
Edison High School	\$ 69,645	\$ 337,709	\$ 343,501	\$ 63,853
Franklin High School	137,174	409,271	343,044	203,401
Stagg High School	104,450	427,132	435,726	95,856
Weber Institute of Technology	17,328	26,565	31,986	11,907
General Activities	516,295	1,230,464	1,202,979	543,780
Scholarship Account	665,952	45,757	18,406	693,303
Total Liabilities	<u>\$ 1,510,844</u>	<u>\$2,476,898</u>	<u>\$2,375,642</u>	<u>\$ 1,612,100</u>

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTARY INFORMATION

STOCKTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
FEDERAL			
U.S. DEPARTMENT OF EDUCATION			
PL 81-874 Maintenance and Operations	84.041	10015	\$ 21,303
Adult Basic Education	84.002	03055	214,875
Drug-Free Schools	84.184	03453	508,024
Eisenhower Math and Science	84.168	03207	146,557
Comprehensive School Reform Demonstration	84.332	03966	209,538
Elementary and Secondary Education Act			
Title I - Basic ^[1]	84.010	03797	10,747,249
Title I - Program Improvement ^[1]	84.010	03798	23,294
Title III - Technology Literacy Challenge ^[1]	84.318	03285	450,711
Title VI - Innovative Education Strategies	84.010	03340	254,231
Title VI- Class Size Reduction	84.010	03180	1,691,390
Emergency Immigrant Education	84.162	03159	143,621
Goals 2000			
Reading Standards and Interventions	84.276	03264	58,331
Indian Education	84.060	10011	233,545
JROTC	CA22	10000	71,955
Special Education - State Grants			
Local Assistance	84.027	03379	2,655,363
Low Incidence	84.027	03459	10,899
Preschool Local Entitlement	84.027	03682	261,466
Specific Learning Disability Assessment	84.027	03651	25,921
Personnel Staff Development	84.027	03613	19,655
Workability	84.027	03705	76,972
Federal Preschool	84.173	03430	257,791
Infant Discretionary	84.173	03612	22,095
Early Intervention	84.181	03761	67,389
Transportation	84.126	10006	46,231
Carl D. Perkins Vocational and Applied Technology	84.048	03577	432,631
Total U.S. Department of Education			<u>18,651,037</u>

[1] Major program

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
Johnson O'Malley	15.130	None	\$ 12,920
U.S. DEPARTMENT OF AGRICULTURE			
National School Lunch Program ^[1]	10.555	03755	6,388,811
Basic School Breakfast Program ^[1]	10.553	03157	56,080
Especially Needy Breakfast ^[1]	10.553	03157	1,321,194
Child Care and Adult Commodities ^{[1][2]}	10.558	03529	13,448
	10.555	03755	598,952
Total U.S. Department of Agriculture			<u>8,378,485</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
CCDF Infant Toddler	93.575	00172	16,845
Medical	93.600	10013	655,684
Total U.S. Department of Health and Human Services			<u>672,529</u>
Total Federal Awards Expended			<u>\$ 27,714,971</u>

[1] Major Program

[2] Not included as revenue on the financial statements

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2001

	Second Period Report (Amended)	Annual Report
ELEMENTARY		
Kindergarten	2,907	2,922
First through third	9,137	9,159
Fourth through sixth	8,870	8,872
Seventh and eighth	4,793	4,832
Opportunity schools	27	27
Home and hospital	9	11
Special education	778	787
Community day school	41	40
Total Elementary	26,562	26,650
SECONDARY		
Regular classes	6,791	6,621
Continuation education	403	390
Opportunity schools	43	45
Home and hospital	20	21
Special education	470	470
Community day school	55	53
Total Secondary	7,782	7,600
Total K-12	34,344	34,250
CLASSES FOR ADULTS		
Concurrently enrolled	61	63
Not concurrently enrolled	1,105	1,161
Total Classes for Adults	1,166	1,224
Grand Total	35,510	35,474
		Hours of Attendance
SUMMER SCHOOL		
Elementary		250,728
High School		336,215
Total Hours		586,943

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2000-01 Actual Minutes</u>	<u>Status</u>
Kindergarten	36,000	31,500	36,000	In Compliance
Grades 1 - 3	50,400	50,250	53,762	In Compliance
Grades 4 - 6	54,000	53,850	53,768 *	In Compliance
Grades 7 - 8	54,000	58,500	58,500	In Compliance
Grades 9 - 12	64,800	64,980	64,980	In Compliance

*Montezuma Elementary School weighted average calculation:

	<u>Required</u>	<u>Actual</u>
Grades 1-3	50,400	53,768
Grades 4-6	54,000	53,768
Total minutes for all grades	313,200	322,608
Total grade levels	6	6
Weighted average	52,200	53,768

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001

Summarized below are the fund balance reconciliation's between the Annual Financial and Budget Report (J-249) and the audited financial statements.

General Long-Term Debt	
Balance, June 30, 2001, Annual Financial and Budget Report	\$ 19,733,999
Increase/(Decrease) in:	
General Obligation bonds	5,000
State School building loans	(7,716)
Compensated absences	291,529
Certificates of participation	221,796
Capital leases	(329,066)
Other long-term debt	4,519,167
Balance, June 30, 2001, Audited Financial Statements	<u>\$ 24,434,709</u>

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2001**

	(Budget) 2002 ¹	2001	2000	1999
GENERAL FUND				
Revenues	\$ 269,122,762	\$ 269,248,226	\$ 222,892,311	\$ 211,262,985
Other sources	-	1,226,670	454,028	738,177
Total Revenues and Other Sources	269,122,762	270,474,896	223,346,339	212,001,162
Expenditures	267,040,271	252,497,652	217,673,726	204,408,107
Other uses and transfers out	1,110,926	1,083,411	954,726	966,692
Total Expenditures and Other Uses	268,151,197	253,581,063	218,628,452	205,374,799
INCREASE/(DECREASE) IN FUND BALANCE	\$ 971,565	\$ 16,893,833	\$ 4,717,887	\$ 6,626,363
ENDING FUND BALANCE	\$ 41,737,015	\$ 40,765,450	\$ 23,871,617	\$ 19,153,730
AVAILABLE RESERVES ²	\$ 7,397,949	\$ 8,887,219	\$ 14,235,420	\$ 8,179,025
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	2.76%	3.50%	6.51%	3.98%
LONG-TERM DEBT	\$ 23,750,000	\$ 24,434,709	\$ 24,689,288	\$ 21,827,548
AVERAGE DAILY ATTENDANCE AT P-2 ³	34,526	34,344	33,626	33,168

The general fund balance has increased by \$21,611,720 over the past two years. The fiscal year 2001-02 budget projects an increase of \$971,565. For a district this size, the State recommends available reserves of at least 2 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses each of the past three years, and anticipates incurring an operating surplus during the 2001-02 fiscal year. Total long-term debt has increased by \$2,607,161 over the past two years.

Average daily attendance has increased by 1,176 over the past two years. An increase of 182 in ADA is anticipated during fiscal year 2001-02.

¹ Budget 2002 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund.

³ Excludes Adult Education ADA.

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2001

(Amounts in thousands)

	Actual Results for the Years					
	2000-2001		1999-2000		1998-1999	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 20,254	7.5	\$ 17,576	7.9	\$ 15,239	7.2
State and local revenue included in revenue limit	157,444	58.5	138,318	62.1	131,147	62.1
Other state revenue	81,820	30.4	58,286	26.1	57,220	27.1
Other local revenue	9,677	3.6	8,712	3.9	7,658	3.6
Tuition and transfers in	54	0.02	-	-	-	-
Total Revenues	<u>269,249</u>	<u>100.0</u>	<u>222,892</u>	<u>100.0</u>	<u>211,264</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	130,694	48.5	112,183	50.3	104,917	49.7
Classified salaries	39,433	14.6	35,628	16.0	33,579	15.9
Employee benefits	37,945	14.1	30,468	13.7	29,984	14.2
Total Salaries and Benefits	<u>208,072</u>	<u>77.3</u>	<u>178,279</u>	<u>80.0</u>	<u>168,480</u>	<u>79.7</u>
Books and supplies	12,586	4.7	10,608	4.8	9,196	4.4
Contracts and operating expenses	22,672	8.4	21,081	9.5	18,449	8.7
Capital outlay	9,220	3.4	5,575	2.5	6,021	2.8
Other outgoing	(528)	(0.2)	1,897	0.9	2,262	1.1
Debt service	477	0.2	234	0.1	571	0.3
Total Expenditures	<u>252,499</u>	<u>93.8</u>	<u>217,674</u>	<u>97.7</u>	<u>204,979</u>	<u>97.0</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	16,750	6.2	5,218	2.3	6,285	3.0
OTHER FINANCING SOURCES/(USES)						
Operating transfers in	46	0.0	-	-	738	0.3
Operating transfers out	(1,083)	(0.4)	(955)	(0.4)	(396)	(0.2)
Other sources	1,181	0.4	454	0.2	-	-
INCREASE/(DECREASE) IN FUND BALANCE	<u>16,894</u>	<u>6.3</u>	<u>4,717</u>	<u>2.1</u>	<u>6,627</u>	<u>3.1</u>
FUND BALANCE, BEGINNING	23,871		19,154		12,527	
FUND BALANCE, ENDING	<u>\$ 40,765</u>		<u>\$ 23,871</u>		<u>\$ 19,154</u>	
BASE REVENUE LIMIT PER ADA	<u>\$ 4,492</u>		<u>\$ 4,354</u>		<u>\$ 4,294</u>	

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

(Amounts in thousands)

	Actual Results for the Years					
	2000-2001		1999-2000		1998-1999	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 7,764	75.8	\$ 7,427	76.4	\$ 6,951	77.5
State meal program	526	5.1	510	5.2	487	5.4
Food sales	1,653	16.1	1,614	16.6	1,353	15.1
Other	293	2.9	173	1.8	175	2.0
Total Revenues	<u>10,236</u>	<u>100.0</u>	<u>9,724</u>	<u>100.0</u>	<u>8,966</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	4,844	47.3	4,391	45.2	4,059	45.3
Food	3,590	35.1	3,610	37.1	3,280	36.6
Supplies	16	0.2	15	0.2	15	0.2
Other	719	7.0	1,118	11.5	961	10.7
Total Expenditures	<u>9,169</u>	<u>89.6</u>	<u>9,134</u>	<u>93.9</u>	<u>8,315</u>	<u>92.7</u>
INCREASE/(DECREASE) IN FUND BALANCE	1,067	<u>10.4</u>	590	<u>6.1</u>	651	<u>7.3</u>
FUND BALANCE, BEGINNING	4,850		4,260		3,609	
FUND BALANCE, ENDING	<u>\$ 5,917</u>		<u>\$ 4,850</u>		<u>\$ 4,260</u>	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2000-2001		1999-2000		1998-1999	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	405,514	11.6	357,941	10.5	320,226	9.9
Reduced price	232,395	6.6	188,209	5.5	166,827	5.1
Free	2,871,707	81.8	2,862,301	84.0	2,758,284	85.0
Total Lunches	<u>3,509,616</u>	<u>100.0</u>	<u>3,408,451</u>	<u>100.0</u>	<u>3,245,337</u>	<u>100.0</u>
BREAKFAST						
Paid	67,342	6.1	54,913	5.1	46,843	4.7
Reduced price	48,744	4.4	32,948	3.1	26,319	2.6
Free	994,529	89.5	989,145	91.8	928,893	92.7
Total Breakfast	<u>1,110,615</u>	<u>100.0</u>	<u>1,077,006</u>	<u>100.0</u>	<u>1,002,055</u>	<u>100.0</u>

See accompanying note to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2001

NOTE #1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment's 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.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The 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.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form J-200 to the audited financial statements.

E. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

F. General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the general fund for the past three years.

G. Cafeteria Account Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account for the past three years.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the financial statements of Stockton Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stockton Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Stockton Unified School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 1-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the Board of Education, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Warriner, Trine, Day & Co., LLP

Pleasanton, California
November 2, 2001



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Stockton Unified School District
Stockton, California

Compliance

We have audited the compliance of Stockton Unified School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Stockton Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Stockton Unified School District's management. Our responsibility is to express an opinion on Stockton Unified School District's compliance based on our audit.

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. Our audit does not provide a legal determination on Stockton Unified School District's compliance with those requirements.

In our opinion, Stockton Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Stockton Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Stockton Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Education, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
November 2, 2001



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
 Stockton Unified School District
 Stockton, California

We have audited the financial statements of the Stockton Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. In our report, our opinion was qualified because the Stockton Unified School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of Stockton Unified School District is responsible for compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Stockton Unified School District's compliance with the laws and regulations of the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	3	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	No
Continuation education	12	Yes
Adult education	8	Yes
Regional occupational centers/programs	5	Not Applicable
County Office of Education programs	9	Not Applicable
Incentives for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not Applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	No
Class size reduction program:		
Option one classes	11	Yes
Option two classes	10	Not Applicable
Both options one and two classes	16	Not Applicable
Reduce class size in two courses in grade 9	8	Yes
State instructional materials fund (K-8)	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public School Library Act of 1998	4	Yes
Computer Usage	2	Yes
Office of Criminal Justice Planning	-	Not Applicable

We did not perform testing for Independent Study and Community Day Schools because the District's ADA did not meet the minimum threshold for testing as prescribed in the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

Based on our audit, we found that, for the items tested, the Stockton Unified School District complied with the state laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Stockton Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report.

VanSinek, Trine, Day & Co., LLP

Pleasanton, California
November 2, 2001

STOCKTON UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2001**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Qualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

CFDA Numbers	Name of Federal Program or Cluster
10.555	National School Lunch Program
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 831,449</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Qualified</u>

STOCKTON UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2001

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government audit standards. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

STUDENT BODY FUNDS

1. Finding (30000)

During a review of student body accounts we noted the following deficiencies at one or more school sites:

- Deposits are not always made timely. Delays of up to 30 days from the time the collection was received until the deposit was made was noted.
- Revenue potential forms are not being completed or they are being filled out incorrectly.
- Not all school sites provide adequate controls over cash receipts. Prenumbered receipts are not consistently used for cash collections; therefore, there is no reconciliation between issued receipts and bank deposits.
- Cash disbursements are not adequately supported with receiving documentation and proper approvals.
- The minutes of Student Council meetings are not always completed as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The District should examine internal controls related to student body accounting and determine if there are areas in which the site bookkeepers may benefit from additional training or guidance.

District Response

The internal audit department has identified schools that are not following established internal controls. The department will implement a plan which strengthens already existing district policies and procedures.

STOCKTON UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

There were no findings representing reportable conditions, material weaknesses, and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

STOCKTON UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

The following findings represent instances of noncompliance and questioned costs relating to state program laws and regulations.

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

KINDERGARTEN ENROLLMENT

2. Finding (10000)

At one school tested, we noted that there were two students enrolled in Kindergarten prior to attaining the age of five by December 2, 2000. For admittance to Kindergarten in the first school month, Education Code Section (EC) 48000 requires a child to attain the age of five prior to December 2. EC 48000 permits the enrollment of a child any time during the year after attaining the age of five if the birthdate occurs after December 2.

Recommendation

The District will need to file amended Second and Annual Reports of Attendance to remove any Average Daily Attendance claimed prior to the two students attaining the age of five.

District Response

The attendance report has been corrected to adjust attendance for the two students who were identified. Additionally, internal procedures have been reevaluated and implemented to prevent future occurrences.

INSTRUCTIONAL MATERIALS

3. Finding (40000)

During the audit of instructional materials, it was noted that the required public hearing to determine whether each pupil in each school has enough textbooks was not held. The district received \$1,809,658 from the State Instructional Material Funds in 2000-2001 and \$3,690,962 from all other instructional materials programs. Per Education code Sections 60119(1) and (2)(A); in order to be eligible to receive funds from the State Instructional Materials Fund, the governing board of a school district must take the following action:

“The governing board shall hold a public hearing to make a determination, through a resolution, as to whether each pupil in each school in the district has, or will have before the end of that fiscal year, enough textbooks and other instructional materials in each subject consistent with the content and cycles of the curriculum framework adopted by the state board”.

STOCKTON UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

Recommendation

The District should take the necessary steps to ensure that a public meeting is held as described above and, if appropriate, pass the required resolution each year that the District receives State instructional materials entitlements. Failure to do so will result in the return of all funds received.

District Response

The Public Hearing for 2000-2001 Instructional Material Funds was held during the 2001-2002 fiscal year. Procedures have been established to ensure that future Public Hearings coincide with appropriate timelines.

ATTENDANCE REPORT – FORM J18/19 ANNUAL

4. Finding (40000)

The District needs to amend the Form J18/19 Annual to reflect a decrease in the reported ADA. The decrease in ADA was caused by the incorrect recording of student absences at Hamilton Elementary. Student attendance was incorrectly entered into the attendance software causing certain absences to be counted as days of apportionment. The correction, a decrease of approximately 61 ADA was properly reported on the amended J18/19 Second Period Report, but the change has not been made on the Annual Report.

Recommendation

The District should amend the Form J18/19 Annual Report of Attendance to reflect the change in ADA caused by the erroneous attendance calculation.

District Response

The attendance report will be amended to reflect the corrected attendance. Internal procedures have been reevaluated and strengthened to prevent future occurrences.

STOCKTON UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no prior year findings reported.