

**STOCKTON UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2021

STOCKTON UNIFIED SCHOOL DISTRICT  
 FINANCIAL STATEMENTS  
 WITH SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2021

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 WITH SUPPLEMENTARY INFORMATION  
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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Stockton Unified School District  
Stockton, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockton Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Stockton Unified School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stockton Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This resulted in a restatement of the beginning governmental activities net position and the beginning aggregate remaining fund information fund balance totaling \$1,026,241. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 15, the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions on pages 60 to 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stockton Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2022 on our consideration of Stockton Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stockton Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stockton Unified School District's internal control over financial reporting and compliance.

*Crowe LLP*  
Crowe LLP

Sacramento, California  
April 15, 2022



## Management's Discussion and Analysis

An overview of the Stockton Unified School District's financial activities for the fiscal year ended June 30, 2021, is presented in this discussion and analysis of the District's financial position and performance.

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

### Financial Highlights

- At June 30, 2021, the total net position of the District was \$39.7 million, an increase of \$44.2 million from the prior year.
- Total government-wide revenue for the 2021 fiscal year was \$706.1 million. Expenditures totaled \$663.0 million. The difference of \$43.1 million accounts for the increase to the District's total net position, as well as the change from implementing Government Accounting Standards Board (GASB) Statement No. 84, totaling \$1,026,241.
- Capital assets, net of depreciation, increased by \$11.7 million during the year. This includes the completion of a number of projects previously in the Construction in Progress account.
- At June 30, long-term debt totaled \$1.2 million.

### Overview of the Financial Statements

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

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

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

- *Governmental funds statements*, which tell how basic services, such as regular and special education, were financed in the short-term, as well as what remains for future spending.
- *Proprietary funds statements*, offering short and long-term financial information about the activities the District operates like a business, such as the self-insurance fund.
- *Fiduciary funds statements*, providing information about the financial relationships in which the District acts solely as trustee or agent for the benefit of others to whom the resources belong.

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

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

### Major Features of the Government-wide and Fund Financial Statements

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



## Government-wide Statements

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

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

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

## Fund Financial Statements

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

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

There are three types of funds that the District utilizes:

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

## Financial Analysis of the District as a Whole

The computation of District net position at June 30, 2021 and 2020 is presented by category in the table below:

	Government-Wide Activities		Year Over Year Change
	2021	2020	
<b>Assets</b>			
Cash and investments	\$ 379,742,202.00	\$ 303,356,861.00	\$ 76,385,341
Receivables	80,852,630.00	86,607,433.00	\$ (5,754,803)
Prepaid expenses	3,689,264.00	58,392.00	\$ 3,630,872
Stores inventory	1,867,733.00	2,173,824.00	\$ (306,091)
Non-depreciable capital assets	137,679,869.00	147,470,288.00	\$ (9,790,419)
Capital assets, net of depreciation	569,428,949.00	547,910,587.00	\$ 21,518,362
Total Assets	<u>1,173,260,647.00</u>	<u>1,087,577,385.00</u>	<u>\$ 85,683,262</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pensions	160,449,199	172,941,864	(12,492,665)
Deferred outflows of resources - OPEB	8,990,644	9,087,771	(97,127)
Deferred loss from refunding of debt	22,036,908	23,458,693	(1,421,785)
Total Deferred Outflows	<u>191,476,751</u>	<u>205,488,328</u>	<u>(14,011,577)</u>
<b>Liabilities</b>			
Accounts payable	46,126,642	45,478,990	647,652
Other current liabilities	25,193,275	17,034,151	8,159,124
Long-term liabilities	1,205,253,761	1,188,539,901	16,713,860
Total Liabilities	<u>1,276,573,678</u>	<u>1,251,053,042</u>	<u>25,520,636</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pensions	37,856,000	34,850,000	3,006,000
Deferred inflows of resources - OPEB	10,577,454	11,594,517	(1,017,063)
Total Deferred Inflows	<u>48,433,454</u>	<u>46,444,517</u>	<u>1,988,937</u>
<b>Net Position</b>			
Net investment in capital assets	330,292,745	253,091,009	77,201,736
Restricted	173,186,934	95,370,840	77,816,094
Unrestricted	(463,749,413)	(352,893,695)	(110,855,718)
Total net position	<u>\$ 39,730,266</u>	<u>\$ (4,431,846)</u>	<u>\$ 44,162,112</u>

Total assets and deferred outflows increased by a net \$71.7 million during the 2021 fiscal year. Of this total, cash and receivables increased by a net \$70.6 million and total capital assets increased by a net \$11.7 million. Deferred outflows of resources decreased by a net \$14 million. Capital assets are discussed in more detail later in this Management Discussion and Analysis report.

Total liabilities and deferred inflows of resources increased by \$27.5 million. Of this amount, accounts payable and other current liabilities increased by \$8.8 million, while long-term debt increased by \$16.7 million. Deferred inflows increased by \$2.0 million. Long-term debt is discussed in detail in a later section of this report.

The net increase to assets and deferred outflows of \$71.6 million, reduced by the increase of \$27.5 million to liabilities and deferred inflows, results in an increase to the District's net position at June 30, 2021 of approximately \$44.2 million.

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

	Government-Wide Activities		Year Over
	2021	2020	Year Change
<b>Revenues - Program</b>			
Charges for Services	\$ 3,911,125	\$ 3,184,994	\$ 726,131
Operating Grants and Contributions	244,957,014	156,287,508	88,669,506
Capital Grants and Contributions	-	-	-
<b>Revenues - General</b>			
Unrestricted Federal and State Aid	347,646,712	355,826,680	(8,179,968)
Taxes Levied for General Purposes	66,164,832	59,782,050	6,382,782
Taxes Levied for Debt Service	37,612,136	40,976,230	(3,364,094)
Taxes Levied for Other Specific Purposes	2,397,695	2,002,719	394,976
Interest and Investment Earnings	1,214,524	2,352,092	(1,137,568)
Other General Revenues	2,203,889	5,549,987	(3,346,098)
Total revenues	<u>706,107,927</u>	<u>625,962,260</u>	<u>80,145,667</u>
<b>Expenses</b>			
Instruction	450,894,526	352,569,624	98,324,902
Pupil and Instructional Services	97,306,582	180,874,227	(83,567,645)
General Administration	17,692,775	19,467,495	(1,774,720)
Plant Services	64,888,186	67,374,553	(2,486,367)
Ancillary Serv., Enterprise Activ., Other	1,953,123	-	1,953,123
Outgo, and Interest on Long-Term Liab.	30,236,864	29,299,904	936,960
Total Expenses	<u>662,972,056</u>	<u>649,585,803</u>	<u>13,386,253</u>
Increase in Net Position	43,135,871	(23,623,543)	66,759,414
Net Position, July 1, as restated for GASB 84	<u>(3,405,605)</u>	<u>19,191,697</u>	<u>(22,597,302)</u>
Net Position, June 30	<u>39,730,266</u>	<u>(4,431,846)</u>	<u>44,162,112</u>

For the 2020-21 fiscal year, total District revenues were \$706.1 million. Total District expenses were \$662.9 million. The difference, \$39.7 million, is an increase to net position at June 30, 2021.

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

Enrollment in Grades K-12, not including the District's dependent charter schools, decreased slightly during the 2020-21 year when compared with the prior school year. Enrollment at the end of the second school month was 35,313 students, a decrease of 170 students from the 2020-2021 year. When District charter school enrollment is included in the totals, enrollment decreased by 165 students.

Average Daily Attendance (ADA) also showed a decrease during the 2020-21 year. The ADA for the Second Principal Apportionment (P-2) period totaled 32,923, a decrease of 131 ADA from the prior fiscal year. The District is continuing to work to improve student attendance.

## Financial Analysis of the District's Funds

At June 30, 2021 the District had twelve governmental funds reporting a combined fund balance of \$340.8 million, an increase of \$54.5 million over the prior year. Of these funds, eight had revenues which exceeded expenditures, and the remaining funds showed expenditures exceeding revenues. The following table details the fund balances of the individual governmental funds.

### Governmental Funds – Fund Balance

Governmental Funds - Fund Balance	Fund Balance - June 30,		Year Over
	2021	2020	Year Change
General Fund	\$ 164,487,866	\$ 137,508,470	\$ 26,979,396
Student Activity Fund	842,363		\$ 842,363
Charter Schools Special Revenue Fund	28,984,235	21,534,021	\$ 7,450,214
Adult Education Fund	1,017,992	1,520,866	\$ (502,874)
Child Development Fund	468,079	1,008,582	\$ (540,503)
Cafeteria Special Revenue Fund	8,419,278	8,496,183	\$ (76,905)
Deferred Maintenance fund	764,016	2,232,250	\$ (1,468,234)
Building Fund	72,642,775	60,323,937	\$ 12,318,838
Capital Facilities Fund	6,483,443	6,085,296	\$ 398,147
Special Reserve for Capital Outlay Projects	8,635,315	9,444,420	\$ (809,105)
Bond Interest and Redemption Fund	32,170,033	26,114,592	\$ 6,055,441
Debt Service Fund	15,838,416	10,913,642	\$ 4,924,774
Totals	\$ 340,753,811	\$ 285,182,259	\$ 55,571,552

### General Fund – Revenue and Expenditure Analysis

The table below displays unaudited actual General Fund revenue by major category for fiscal year 2021, along with the increase or decrease from fiscal year 2020 and breakdowns by percentage. The table does not include transfers in and other financing sources.

General Fund			
FY-2021 Actual	Percent Of Total	Increase (Decrease) from FY-2020	Percent Increase or (Decrease)

Revenues:

LCFF Sources	\$376,498,617	67.3%	\$1,834,092	0.49%
Federal Revenue	86,798,042	15.5%	48,566,155	55.95%
Other State Revenue	84,324,142	15.1%	8,887,914	10.54%
Other Local Revenue	<u>12,219,103</u>	<u>2.2%</u>	<u>1,819,504</u>	14.89%
Total Revenues	<u>\$559,839,904</u>	<u>100.00%</u>	<u>\$61,107,665</u>	10.92%

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

<b>General Fund</b>					
	<b>FY-2021 Actual</b>	<b>Percent Of Total</b>	<b>Increase (Decrease) from FY-2020</b>	<b>Percent Increase or (Decrease)</b>	
Expenditures:					
Certificated Salaries	\$ 207,251,619	38.86%	\$ 11,317,289	2.12%	
Classified Salaries	85,905,688	16.11%	3,174,806	0.60%	
Employee Benefits	154,404,149	28.95%	(1,372,677)	-0.26%	
Books and Supplies	38,495,217	7.22%	19,431,114	3.64%	
Services, Other Operating Expenses	40,596,183	7.61%	(9,203,409)	-1.73%	
Capital Outlay	5,281,414	0.99%	4,072,718	0.76%	
Other Outgo/Dir. Supp./	1,338,462	<u>0.25%</u>	<u>177,335</u>	0.03%	
Indirect Costs	<u>1,338,462</u>	<u>0.25%</u>	<u>177,335</u>	0.03%	
Total Expenditures	\$ 533,272,732	100.00%	\$ 27,597,176		

### **General Fund - Budgetary Highlights**

The District's 2021 General Fund operating budget was adopted by the Governing Board in June of 2020. As adopted, budgeted revenues totaled \$447.4 million and budgeted expenditures totaled \$507.3 million. This resulted in a structural deficit of \$59.3 million. District reserves of \$100 million were able to absorb the budgeted deficit.

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

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

Capital assets and outstanding debt at June 30, 2021 are analyzed on the next pages.

## Capital Asset and Debt Administration

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

	Government-Wide Activities	
	2021	2020
Land	\$ 36,080,997	\$ 36,080,997
Improvement of Sites	8,772,224	9,438,395
Buildings	550,363,377	531,583,028
Equipment	10,293,348	6,889,164
Construction in Progress	<u>101,598,872</u>	<u>111,389,291</u>
Totals	<u>\$ 707,108,818</u>	<u>\$ 695,380,875</u>

The table above reflects capital assets, net of depreciation, at June 30, 2021 and 2020. The District uses an asset capitalization threshold of \$50,000, except where federal funds are used to purchase the asset and then the capitalization threshold is \$5,000. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives. Depreciation expense on completed assets totaled \$16.6 million for the 2020-21 fiscal year. The amount shown for Construction in Progress represents expenditures for projects currently in the construction phase. Depreciation is not taken on these assets until a project is completed.

Capital assets, net of depreciation, increased by \$11.7 million during the year. At the end of the 2020-21-year, total funds expended on projects in the construction phase totaled \$101.6 million.

Further information regarding capital assets can be found in note 4 to the financial statements.

### Outstanding Debt at Year-End

	Government-Wide Activities	
	2021	2020
General Obligation Bonds, including Premiums	\$ 440,428,271	\$ 460,241,532
Accreted Interest	43,937,294	37,835,964
Certificates of Participation, including Premiums	31,067,485	32,472,920
Net Pension Liability	521,966,000	501,211,000
Total OPEB Liability	145,017,095	133,467,099
Compensated Absences	<u>2,167,616</u>	<u>2,445,386</u>
Total	<u>\$ 1,184,583,761</u>	<u>\$ 1,167,673,901</u>

At June 30, 2021, long-term debt totaled \$1.2 billion. This represents an increase of \$16.9 million over the prior year.

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

## Economic Factors and Next Year’s Budgets and Rates

The 2021-22 Stockton Unified School District budget has been developed with all components of the proposal presented by Governor Gavin Newsom in January of 2021 and any applicable May Revise and Adopted Budget adjustments.

In January of 2021, Governor Newsom’s proposed State budget reflected the strong national and state economies which were in place. The budget called for a 3.84% compounded Cost of Living Adjustment (COLA), which equated to a proposed \$2 billion increase to the Local Control Funding Formula (LCFF). During Governor budget May revision, compounded COLA was expected to increase from 3.84% to 4.05% compounded COLA and “Mega Cola” of 5.07% in Fiscal Year 2021- 2022.

<u>Item</u>	<u>Governor's Budget</u>	<u>May Revision</u>
LCFF Funding Increase	\$ 2 Billion	\$3.2 Billion
2021- 22 Statutory COLA	1.50%	1.70%
2021- 22 Compounded COLA	3.84%	4.05%*
2021- 22 LCFF "Mega" COLA	N/A	5.07%

\*Only the special education and community college funding formulas will receive the compound COLA

At the state level, the education funding plan centers on the Local Control Funding Formula. Base grants, allocated on grade spans for all students, and supplemental and concentration grants targeted to specific student groups, provide the main source of state revenue. Funding under the LCFF is designed to allow more flexibility for school leaders to determine, with input from parents and other local stakeholders, how the state funding will be used to improve student achievement and better assure that a student will graduate from high school and be college and career ready.

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

Included as part of the LCFF is a requirement for school districts to develop, adopt, and then update on an annual basis a three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California Board of Education. The LCAP is required to identify annual goals, specific actions, and measure student progress across eight performance areas, including student academic achievement, school climate, student access to a broad curriculum, and parent engagement. Parent and public input is required in developing, revising, and updating the LCAP. The academic priorities of the LCAP must be aligned to the district’s spending plan found in the annual budget. The District met with parents and the public, school personnel and bargaining units, and local civic leaders to develop the LCAP. After many meetings and several public hearings, the Governing Board adopted the District’s LCAP in June of 2021.

An important consideration when preparing a budget, whether for the State of California or for a local school district, is the unstable nature of state revenues because of reliance on the top one percent of taxpayers, a group that is not growing, and on sales and income taxes for the marginal dollar, not the less volatile property tax. Add to that the possibility of an economic downturn, where the question is not if it will happen, but when. All of this points to the need for careful budgeting and management of available funds. For Stockton Unified, the assessment of present needs, balanced against the uncertainty of future revenue streams, will be imperative as the District plans the educational programs for our students.

The annual state appropriation provided to increase LCFF funding is the sole determinant of changes in school district LCFF revenues. As mentioned previously, the statutory COLA of 2.31% has not been funded and no additional revenue will be available for school districts for LCFF purposes.

The tables below show LCFF funding by grade span.

**LCFF - Base Grant Entitlements – Target Funding**

As designed, school districts receive a base grant allocation calculated by grade span: K-3, 4-6, 7-8, and 9-12.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2020- 21 Base Grant per ADA	\$ 7,702	\$ 7,818	\$ 8,050	\$ 9,329
5.07% Mega Cola	\$ 390	\$ 396	\$ 408	\$ 473
2021- 22 Base Grant per ADA	\$ 8,092	\$ 8,214	\$ 8,458	\$ 9,802

**LCFF – K-3 CSR Adjustments – Target Funding**

In addition to the base grant, school districts receive adjustments for class size reduction by grade span (GSA) at grades K-3 and grades 9-12. These adjustments are percentages of the base grant amounts, as shown in the following table.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2021- 22 Base Grant per ADA	\$ 8,092	\$ 8,214	\$ 8,458	\$ 9,802
Adjustment Percentage (GSA)	\$ 842	\$ -	\$ -	\$ 255
2021- 22 Adjusted Base Grant per ADA	\$ 8,934	\$ 8,214	\$ 8,458	\$ 10,057

**LCFF – Supplemental and Concentration Grants per ADA – Target Funding**

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

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2021- 22 Adjusted Base Grant per ADA	\$ 8,934	\$ 8,214	\$ 8,458	\$ 10,057
20% Supplemental Grant per ADA (Total UPP)	\$ 1,787	\$ 1,643	\$ 1,692	\$ 2,011
50% Concentration Grant per ADA (UPP Above 55%)	\$ 4,467	\$ 4,107	\$ 4,229	\$ 5,029



**Other Education Items Included in the State Budget**

Other items in the state budget for allocation state-wide include:

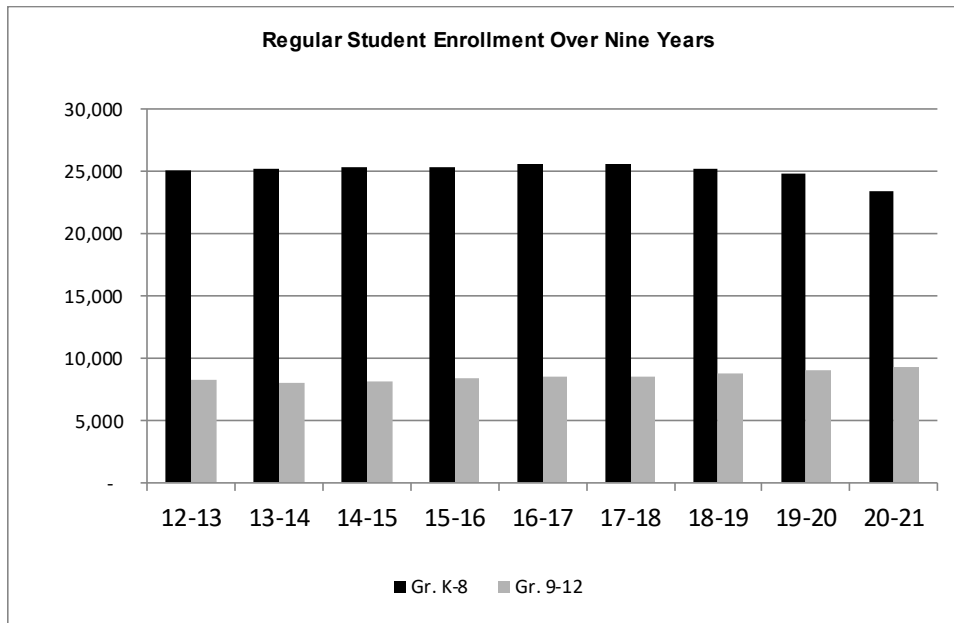
- The Governor’s May Revision proposes to apply the compounded COLA of 4.05% to special education funding
- 2021-22 provider reimbursement rates for General Child Care increased by the statutory 1.7% COLA
- Measures provided to retain essential staff and relieve pressure on local district budgets.

The critical assumptions used in preparing the District’s 2021-22 General Fund budget in more detail below.

**Student Enrollment and Enrollment Projections**

One of the economic factors affecting the school District’s future outlook and growth potential is enrollment. Enrollment represents the number of students registered to attend schools within the District’s boundaries. Attendance represents those students actually coming to school each day, with revenue coming to the District based on the average daily attendance, or ADA. Additional revenue can be generated from average daily attendance when a greater number of students attend District schools. However, if enrollment is lower, the District receives less of this general purpose revenue. At the end of the second attendance month of the 2021-22 school year, enrollment in District schools, including charter schools, totals 34,225.

The graph below shows regular student enrollment over the last nine years.



In planning a viable budget, the preparation of accurate enrollment projections is critical. With student enrollment showing signs of growth, it becomes imperative to have accurate enrollment projections to staff for an adequate teacher corps, provide proper classroom facilities and order ample books and supplies to meet the needs of District students. Stockton Unified continues to be vigilant in monitoring and projecting student enrollment. Work continues to refine methods in projecting the expected enrollment to allow for better planning of the educational program and control over operational costs.

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

### **Salaries and Benefits**

Salaries and benefits are subject to negotiations each year based on collective bargaining agreements. Most school districts negotiate based on “total compensation” which consists of salaries and benefits. Total compensation generally refers to increases in salaries and health benefits. The District anticipates that pressure to increase salary compensation and health benefits will continue over the next few years. Currently, the District allocates 89.0% of the General Fund expenditure budget, not including other financing sources and uses, toward salary and health benefit costs. The District controls salary costs in a number of ways, including monitoring and prioritizing the recruitment of authorized positions in the budget, issuing hiring freezes when necessary, and restricting the use of additional and overtime pay. The District will continue to use prudence in discussions with employee bargaining groups regarding the adjustment of employee salaries.

In addition, the District has to assume increases in expenses due to step and column changes. Stockton Unified is obligated to provide additional employee compensation for each bargaining unit contract which has additional experience (years worked) and/or additional education (post-secondary degree program) credits. The District is assuming a step and column cost increase for certificated staff of 1.46%. The assumed rate increase for classified staff for the 2021-22 year is 2.75%.

### **Health Rates**

The cost of health care is expected to increase over the next few years. The District continues to work with the employee bargaining groups to explore ways of maintaining acceptable levels of health care at affordable costs. One way is through the use of “soft caps” to control the health care costs borne by the District and by individual employees. A maximum amount, or cap, is established for what the District pays towards health care coverage. Individual employees are responsible for paying the difference. These amounts are periodically adjusted to recognize increases in health care rates. This allows for a sharing of cost increases and provides the opportunity to evaluate ways of reducing costs while maintaining coverage levels.

### **Fund Balance**

The fund balance represents yearly differences between revenues and expenditures. The operational results of the District either add to or reduce from the fund balance. Additionally, the fund balance is either unrestricted or restricted. An unrestricted fund balance means that unspent dollars are left to the District’s discretion. On the other hand, restricted dollars are not left to the District’s discretion and are restricted based on guidelines established by the State Department of Education.

Additionally, a “Reserve for Economic Uncertainties” for unforeseen emergencies is required of districts by the State Department of Education. The reserve for this Stockton Unified is based on 2% of the total General Fund expenditures. Setting aside a state required reserve means that the District has fewer dollars available for operational areas. It also means that a reserve balance is available if the District must address an unplanned financial situation. It is not anticipated that the state’s “cap” on the amount a school district can reserve will be triggered during the 2021-22 year.

### **Conclusion**

As the Stockton Unified School District approaches the 2021-22 school year, staff acknowledges that they have a formidable task facing them. Proper planning and foresight will be required for the District to balance financial resources with educational goals and objectives. School site staff, central office employees, and District administration are prepared to meet the goal of providing an educational program that will empower our students to gain the knowledge necessary to progress through life as informed and productive citizens.

## **Contacting the District’s Financial Management**

This financial report is designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Mr. Marcus Battle, Chief Business Official, Stockton Unified School District, 701 North Madison Street, Stockton, CA 95202.

## **BASIC FINANCIAL STATEMENTS**

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 379,742,202
Receivables	80,852,630
Prepaid expenses	3,689,264
Stores inventory	1,867,733
Non-depreciable capital assets (Note 4)	137,679,869
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>569,428,949</u>
Total assets	<u>1,173,260,647</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions (Notes 9 and 10)	160,449,199
Deferred outflows of resources - OPEB (Note 7)	8,990,644
Deferred loss from refunding of debt	<u>22,036,908</u>
Total deferred outflows	<u>191,476,751</u>
<b>LIABILITIES</b>	
Accounts payable	46,126,642
Claims liability, current ( Note 5)	3,940,000
Unearned revenue	21,253,275
Long-term liabilities:	
Claims liability, less current portion (Note 5)	20,670,000
Due within one year (Note 6)	22,459,470
Due after one year (Note 6)	<u>1,162,124,291</u>
Total liabilities	<u>1,276,573,678</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 9 and 10)	37,856,000
Deferred inflows of resources - OPEB (Note 7)	<u>10,577,454</u>
Total deferred inflows	<u>48,433,454</u>
<b>NET POSITION</b>	
Net investment in capital assets	330,292,745
Restricted:	
Legally restricted programs	69,657,141
Capital projects	15,118,758
Debt service	48,008,449
Self-insurance	40,402,586
Unrestricted	<u>(463,749,413)</u>
Total net position	<u>\$ 39,730,266</u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenues and</u>
		<u>for</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Change in</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instruction	\$ 360,535,716	\$ 420,855	\$ 143,800,473	\$ -	\$ (216,314,388)
Instruction-related services:					
Supervision of instruction	49,155,002	66,226	22,854,987	-	(26,233,789)
Instructional library, media and technology	1,273,482	-	62,188	-	(1,211,294)
School site administration	39,930,326	8,072	5,173,893	-	(34,748,361)
Pupil services:					
Home-to-school transportation	14,811,331	102,297	1,272,068	-	(13,436,966)
Food services	21,443,833	-	19,720,923	-	(1,722,910)
All other pupil services	61,051,418	35,419	15,741,337	-	(45,274,662)
General administration:					
Data processing	5,999,170	-	107,892	-	(5,891,278)
All other general administration	11,693,605	19,648	3,655,508	-	(8,018,449)
Plant services	64,888,186	24,407	9,316,693	-	(55,547,086)
Ancillary services	1,636,988	-	1,069,499	-	(567,489)
Community services	285,000	-	-	-	(285,000)
Enterprise activities	31,135	-	-	-	(31,135)
Interest on long-term liabilities	28,093,506	-	-	-	(28,093,506)
Other outgo	2,143,358	3,234,201	22,181,553	-	23,272,396
	<u>2,143,358</u>	<u>3,234,201</u>	<u>22,181,553</u>	<u>-</u>	<u>23,272,396</u>
Total governmental activities	<u>\$ 662,972,056</u>	<u>\$ 3,911,125</u>	<u>\$ 244,957,014</u>	<u>\$ -</u>	<u>(414,103,917)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					66,164,832
Taxes levied for debt service					37,612,136
Taxes levied for other specific purposes					2,397,695
Federal and state aid not restricted to specific purposes					347,646,712
Interest and investment earnings					1,214,524
Interagency revenues					357,651
Miscellaneous					1,846,238
					<u>457,239,788</u>
Total general revenues					<u>457,239,788</u>
Change in net position					<u>43,135,871</u>
Net Position, July 1, 2020					<u>(4,431,846)</u>
Cumulative effect of GASB 84 implementation					1,026,241
Net Position, July 1, 2020, as restated					<u>(3,405,605)</u>
Net position, June 30, 2021					<u>\$ 39,730,266</u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2021

	General <u>Fund</u>	Building <u>Fund</u>	All Non-Major <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and investments:				
Cash in County Treasury	\$ 134,759,618	\$ 77,821,303	\$ 87,150,654	\$ 299,731,575
Cash on hand and in banks	-	-	868,501	868,501
Cash in revolving fund	63,912	-	1,102	65,014
Cash with Fiscal Agent	1,704,267	-	10,945,634	12,649,901
Receivables	65,484,078	70,449	15,153,862	80,708,389
Prepaid expenditures	3,594,266	-	94,998	3,689,264
Due from other funds	8,650,921	-	7,375,751	16,026,672
Stores inventory	1,530,806	-	336,927	1,867,733
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 215,787,868</u>	<u>\$ 77,891,752</u>	<u>\$ 121,927,429</u>	<u>\$ 415,607,049</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 27,747,923	\$ 5,248,977	\$ 4,576,391	\$ 37,573,291
Unearned revenue	18,333,405	-	2,919,870	21,253,275
Due to other funds	5,218,674	-	10,807,998	16,026,672
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>51,300,002</u>	<u>5,248,977</u>	<u>18,304,259</u>	<u>74,853,238</u>
Fund balances:				
Nonspendable	5,188,984	-	433,027	5,622,011
Restricted	29,161,178	72,642,775	103,190,143	204,994,096
Assigned	29,800,000	-	-	29,800,000
Unassigned	100,337,704	-	-	100,337,704
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>164,487,866</u>	<u>72,642,775</u>	<u>103,623,170</u>	<u>340,753,811</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 215,787,868</u>	<u>\$ 77,891,752</u>	<u>\$ 121,927,429</u>	<u>\$ 415,607,049</u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET –  
TO THE STATEMENT OF NET POSITION  
June 30, 2021

Total fund balances - Governmental Funds		\$ 340,753,811
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,005,257,165 and the accumulated depreciation is \$298,148,347 (Note 4).		707,108,818
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2021 consisted of (Note 6):		
General Obligation Bonds and premium	\$ (440,428,271)	
Accreted interest	(43,937,294)	
Certificates of Participation and premium	(31,067,485)	
Net pension liability (Notes 9 and 10)	(521,966,000)	
Total OPEB liability (Note 7)	(145,017,095)	
Compensated absences	<u>(2,167,616)</u>	
		(1,184,583,761)
In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities. It is recognized in the period that it is occurred.		(6,994,485)
In governmental funds, deferred losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		22,036,908
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating the total OPEB liability and net pension liability are reported (Notes 7, 9 and 10).		
Deferred outflows of resources relating to pensions	\$ 160,449,199	
Deferred outflows of resources relating to OPEB	8,990,644	
Deferred inflows of resources relating to pensions	(37,856,000)	
Deferred inflows of resources relating to OPEB	<u>(10,577,454)</u>	
		121,006,389
Internal service funds are used to conduct certain activities for which cost are charged to other funds. Assets and liabilities are reported within the governmental activities in the Statement of Net Position.		<u>40,402,586</u>
Total net position - governmental activities		<u>\$ 39,730,266</u>

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2021

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 321,753,614	\$ -	\$ 24,354,258	\$ 346,107,872
Local sources	54,745,003	-	-	54,745,003
Total LCFF	<u>376,498,617</u>	<u>-</u>	<u>24,354,258</u>	<u>400,852,875</u>
Federal sources	86,798,042	-	27,640,721	114,438,763
Other state sources	84,324,142	30,045,229	17,530,210	131,899,581
Other local sources	12,219,103	484,703	49,991,829	62,695,635
Total revenues	<u>559,839,904</u>	<u>30,529,932</u>	<u>119,517,018</u>	<u>709,886,854</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	207,251,619	-	18,870,808	226,122,427
Classified salaries	85,905,688	-	11,851,419	97,757,107
Employee benefits	154,404,149	-	17,615,612	172,019,761
Books and supplies	38,495,217	534,979	11,211,893	50,242,089
Contract services and operating expenditures	40,596,183	274,151	3,084,754	43,955,088
Other outgo	1,338,462	-	804,896	2,143,358
Capital outlay	5,281,414	17,401,964	3,648,788	26,332,166
Debt service:				
Principal retirement	-	-	18,515,000	18,515,000
Interest	-	-	18,254,546	18,254,546
Total expenditures	<u>533,272,732</u>	<u>18,211,094</u>	<u>103,857,716</u>	<u>655,341,542</u>
Excess of revenues over expenditures	<u>26,567,172</u>	<u>12,318,838</u>	<u>15,659,302</u>	<u>54,545,312</u>
Other financing sources (uses):				
Transfers in	1,226,489	-	1,884,265	3,110,754
Transfers out	(814,265)	-	(2,296,489)	(3,110,754)
Total other financing sources (uses)	<u>412,224</u>	<u>-</u>	<u>(412,224)</u>	<u>-</u>
Change in fund balances	26,979,396	12,318,838	15,247,078	54,545,312
Fund balances, July 1, 2020	<u>137,508,470</u>	<u>60,323,937</u>	<u>87,349,851</u>	<u>285,182,258</u>
Cumulative effect of GASB 84 implementation	-	-	1,026,241	1,026,241
Fund balance, July 1, 2020, as restated	<u>137,508,470</u>	<u>60,323,937</u>	<u>88,376,092</u>	<u>286,208,499</u>
Fund balances, June 30, 2021	<u>\$ 164,487,866</u>	<u>\$ 72,642,775</u>	<u>\$ 103,623,170</u>	<u>\$ 340,753,811</u>

See accompanying notes to financial statements.



STOCKTON UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

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Net change in fund balances - Total Governmental Funds	\$ 54,545,312
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	28,314,252
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(16,586,309)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	18,515,000
In governmental funds, debt issued at a premium is recognized as other financing source. In the government-wide statements, debt issued at a premium is amortized as interest over the life of the debt (Note 6).	2,703,696
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded of refunding of the debt.	(1,421,785)
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(6,101,330)
In governmental funds, interest on long-term liabilities is recognized in the period that is becomes due. In the government-wide statement of activities, it is recognized in the period incurred.	(590,958)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a cost recovery basis The change in net position for the Self-Insurance Fund was:	10,363,948
In governmental funds, OPEB costs are recognized when employers contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis (Notes 7).	(10,630,060)

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

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In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs actual employer contributions was (Notes 6, 9 and 10):	\$ (36,253,665)
In governmental funds, expenditures are measured by the amounts of financial resources used. In the statement of activities, expenditures related to compensated absences are measured by the amount of financial resources used (Note 6).	<u>277,770</u>
Change in net position of governmental activities	<u>\$ 43,135,871</u>

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See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
SELF-INSURANCE FUND  
June 30, 2021

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**ASSETS**

Cash and investments:	
Cash in County Treasury	\$ 65,659,412
Cash with Fiscal Agent	767,270
Cash in Revolving Fund	529
Receivables	<u>144,241</u>
Total current assets	<u>66,571,452</u>

**LIABILITIES**

Accounts payable	1,558,866
Claims liability, current	<u>3,940,000</u>
Total current liabilities	5,498,866
Claims liability, less current portion	<u>20,670,000</u>
Total liabilities	<u>26,168,866</u>

**NET POSITION**

Restricted for self-insurance	<u>\$ 40,402,586</u>
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See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN  
NET POSITION – PROPRIETARY FUND  
SELF-INSURANCE FUND  
For the Year Ended June 30, 2021

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Operating revenue:	
Self-insurance premiums	\$ 22,196,633
Other local revenues	<u>403,067</u>
Total operating expenses	<u>22,599,700</u>
Operating expenses:	
Classified Salaries	149,934
Employee benefits	73,792
Contract services	<u>12,321,144</u>
Total operating expenses	<u>12,544,870</u>
Operating income	10,054,830
Non-operating income:	
Interest income	<u>309,118</u>
Change in net position	10,363,948
Total net position, July 1, 2020	<u>30,038,638</u>
Total net position, June 30, 2021	<u><u>\$ 40,402,586</u></u>

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See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
SELF-INSURANCE FUND  
For the Year Ended June 30, 2021

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**Cash flows from operating activities:**

Cash received from self-insurance premiums	\$ 22,196,633
Cash received from other local revenue	403,067
Cash paid for employee benefits	(4,150,483)
Cash paid for other expenses	<u>(8,116,345)</u>

Net cash provided by operating activities 10,332,872

**Cash flows provided by investing activities:**

Interest income received 309,118

Increase in cash and investments 10,641,990

Cash and investments, July 1, 2020 55,785,221

**Cash and investments, June 30, 2021** \$ 66,427,211

Reconciliation of operating income to net cash provided by operating activities:

Operating income \$ 10,054,830

Adjustments to reconcile operating income to net cash provided by operating activities:

Decrease in receivables	91,985
Increase in accounts payable and claims liability	<u>186,057</u>

Total adjustments 278,042

**Net cash provided by operating activities** \$ 10,332,872

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See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST FUND  
June 30, 2021

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	Scholarship <u>Trust</u>
<b>ASSETS</b>	
Cash on hand and in bank (Note 2)	\$ <u>787,542</u>
<b>NET POSITION</b>	
Restricted for scholarships	\$ <u><u>787,542</u></u>

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See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
TRUST FUND  
For the Year Ended June 30, 2021

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	Scholarship <u>Trust</u>
Deductions:	
Contract service and operating expenditures	\$ <u>3,761</u>
Change in net position	(3,761)
Net position, July 1, 2020	<u>791,303</u>
Net position, June 30, 2021	<u><u>\$ 787,542</u></u>

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See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

A - Manifestations of Oversight

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

B - Accounting for Fiscal Matters

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

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(Continued)



STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C - Scope of Public Service and Financial Presentation

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

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

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

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

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

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

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

A - Major Funds

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

*Building Fund* - The Building Fund is a capital project fund used to account for resources used for the acquisition or construction of capital facilities by the District.

B - Other Funds

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

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

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

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

The Trust Fund is a Fiduciary Fund type that is used to account for assets held by the District as Trustee. This classification includes the Scholarship Trust Fund.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2021.

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

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

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow related to a deferred loss on refunding of the District's debt. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Also, the District has recognized a deferred outflow of resources related to the recognition of the total OPEB liability and net pension liability.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and total OPEB liability.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 114,452,925	\$ 45,996,274	\$ 160,449,199
Deferred inflows of resources	<u>\$ 37,856,000</u>	<u>\$ -</u>	<u>\$ 37,856,000</u>
Net pension liability	<u>\$ 342,746,000</u>	<u>\$ 179,220,000</u>	<u>\$ 521,966,000</u>
Pension expense	<u>\$ 74,407,459</u>	<u>\$ 39,139,685</u>	<u>\$ 113,547,144</u>

Compensated Absences: Compensated absences totaling \$2,167,616 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self-insurance represents the portion of net position restricted for the District's self-insured activities. The restriction for scholarships represents the portion of net position restricted for student scholarships. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**A - Nonspendable Fund Balance:**

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

**B - Restricted Fund Balance:**

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

**C - Committed Fund Balance:**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2021, the District had no committed fund balances.

**D - Assigned Fund Balance:**

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2021 the Board of Education has designated the Chief Business Official with the authority to assign fund balances.

**E - Unassigned Fund Balance:**

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

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

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2021, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

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

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In January 2017, the GASB issued GASB Statement No. 84, Fiduciary Activities (GASB 84). The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. The provisions in GASB 84 were effective for reporting periods beginning after December 15, 2019. Based on the implementation of GASB 84, the District restated its beginning governmental activities net position, as well as the beginning fund balance of aggregate remaining fund information, for a total of \$1,026,241. The restatement was the resulting effect of removing the District's Student Activity Funds as an Agency Fund and adding as a Special Revenue Fund within the aggregate remaining fund information of the District. Under GASB 84, the Student Activity Funds no longer qualified as an Agency Fund.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2021 are reported at fair value and consisted of the following:

	Governmental Activities			<u>Fiduciary Activities</u>
	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>	
Pooled Funds:				
Cash in County Treasury	\$ 299,731,575	\$ 65,659,412	\$ 365,390,987	\$ -
Deposits:				
Cash on hand and in banks	868,501	-	868,501	787,542
Cash in revolving fund	65,014	529	65,543	-
Investments:				
Cash with Fiscal Agent	12,649,901	767,270	13,417,171	-
Total cash and cash investments	\$ 313,314,991	\$ 66,427,211	\$ 379,742,202	\$ 787,542

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk - Deposits: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2021, the carrying amount of the District's accounts was \$1,721,586 and the bank balance was \$1,846,075. Total uninsured bank balances were \$1,596,075.

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

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

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had no concentration of credit risk.

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 3 - INTERFUND TRANSACTIONS**

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

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2021 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 8,650,921	\$ 5,218,674
Non-Major Funds:		
Charter School	799,117	3,518,825
Adult Education	-	36,047
Child Development	43,017	41,640
Cafeteria	3,071,710	1,344,296
Deferred Maintenance	6,917	-
Capital Facilities	500,000	-
Special Reserve for Capital Outlay Projects	814,990	3,727,190
Bond Interest and Redemption	-	2,140,000
Debt Service Fund	<u>2,140,000</u>	<u>-</u>
Totals	<u>\$ 16,026,672</u>	<u>\$ 16,026,672</u>

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

Transfers for the 2020-2021 fiscal year were as follows:

Transfer from the Charter School Fund to the General Fund for indirect costs.	\$ 1,344
Transfer from the Adult Education Fund to the General Fund for indirect costs.	158,685
Transfer from the Child Development Fund to the General Fund for indirect costs.	557,125
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	509,335
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund to set aside reserves for the Lakeside School Project.	814,265
Transfer from the Bond Interest and Redemption Fund to the Debt Service Fund for the annual sinking fund deposit.	<u>1,070,000</u>
	<u>\$ 3,110,754</u>

(Continued)



STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2021 is shown below:

	Balance July 1, <u>2020</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2021</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 36,080,997	\$ -	\$ -	\$ 36,080,997
Work-in-process	111,389,291	23,958,913	(33,749,332)	101,598,872
Depreciable:				
Buildings	787,237,613	33,749,332	-	820,986,945
Site improvements	16,135,750	-	-	16,135,750
Equipment	<u>26,099,262</u>	<u>4,355,339</u>	<u>-</u>	<u>30,454,601</u>
Totals, at cost	<u>976,942,913</u>	<u>62,063,584</u>	<u>(33,749,332)</u>	<u>1,005,257,165</u>
Less accumulated depreciation:				
Buildings	(255,654,585)	(14,968,983)	-	(270,623,568)
Site improvements	(6,697,355)	(666,171)	-	(7,363,526)
Equipment	<u>(19,210,098)</u>	<u>(951,155)</u>	<u>-</u>	<u>(20,161,253)</u>
Total accumulated depreciation	<u>(281,562,038)</u>	<u>(16,586,309)</u>	<u>-</u>	<u>(298,148,347)</u>
Capital assets, net	<u>\$ 695,380,875</u>	<u>\$ 45,477,275</u>	<u>\$ (33,749,332)</u>	<u>\$ 707,108,818</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 15,910,694
Home-to-school transportation	297,707
Food services	178,057
All other general administration	95,492
Centralized data processing	52,348
Plant services	<u>52,011</u>
Total depreciation expense	<u>\$ 16,586,309</u>

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

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**NOTE 5 - RISK MANAGEMENT/CLAIMS LIABILITIES**

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

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

District management recomputes the liability annually using available updated claims data. Every three years, the District contracts with an actuary who performs an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. The last actuarial studies for the District's self-insured programs were completed as of June 30, 2021. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

	June 30, <u>2020</u>	June 30, <u>2021</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 24,896,000	\$ 24,548,000
Total incurred claims and claim adjustment expenses	5,023,726	3,988,757
Total payments	<u>(5,371,726)</u>	<u>(3,926,757)</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u>\$ 24,548,000</u>	<u>\$ 24,610,000</u>

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 6 - LONG-TERM LIABILITIES**

General Obligation Bonds: On December 17, 2009, the District issued Election of 2008 General Obligation Bonds, Series B, Qualified School Construction Bonds (2008 Series B), totaling \$16,040,000. The bonds bear interest at a rate of 2.19% and are scheduled to mature through fiscal year 2026.

On July 22, 2010, the District issued Election of 2008 General Obligation Bonds, Series C, Qualified School Construction Bonds (2008 Series C), totaling \$14,930,000. The bonds bear coupon rates from 5.17% to 7.08% and are scheduled to mature through fiscal year 2028.

On June 2, 2011, the District issued Election of 2008 General Obligation Bonds, Series D (2008 Series D), totaling \$56,146,497. The 2008 Series D Bonds were issued as Capital Appreciation Bonds, with interest compounding on February 1 and August 1, to maturity. The 2008 Series D Bonds were partially refunded by the issuance of the 2014A Refunding and 2014B Refunding. All of the refunded maturities have been fully repaid. The remaining 2008 Series D Bonds bear interest at rates ranging from 5.89% to 7.72% and are scheduled to mature through fiscal year 2051.

Also on June 2, 2011, the District concurrently issued 2011 General Obligation Refunding Bonds (2011 Refunding), totaling \$14,175,000. The 2011 Refunding was issued to refund certain maturities of the District's Series 2001 and Series 2003 General Obligation Bonds and to pay cost of issuance of the Refunding Bond. The 2011 Refunding bears interest at rates ranging from 2.0% to 5.0%, and although the original maturity was scheduled through July 1, 2022, the District makes principal payments on or before June 30 of each year effectively prepaying the debt service obligation by 1 year.

On November 6, 2012, the District issued 2012 General Obligation Refunding Bonds (2012 Refunding), totaling \$43,570,000. The 2012 Refunding was issued to refund the remaining maturities of the District's Series 2001, Series 2003 and Series 2004 General Obligation Bonds. The 2012 Refunding bears interest at rates from 3.0% to 5.0% and are scheduled to mature through fiscal year 2029.

On March 6, 2014, the District issued Election of 2012 General Obligation Bonds, Series A (2012 Series A), totaling \$65,000,000. The 2012 Series A bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through fiscal year 2043.

On September 11, 2014, the District issued Series 2014A General Obligation Refunding Bonds (2014 A Refunding), totaling \$35,620,000. The 2014A Refunding was issued to refund certain maturities of the District's Series 2008 D General Obligation Capital Appreciation Bonds. The 2014A Refunding bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through fiscal year 2040.

On December 17, 2015, the District issued Election of 2012 General Obligation Bonds, Series B (2012 Series B), totaling \$30,000,000. The 2012 Series B bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through fiscal year 2041.

On February 2, 2016, the District issued 2016 General Obligation Refunding Bonds (2016 Refunding), totaling \$128,285,000. The 2016 Refunding was issued to refund all outstanding maturities of the District's Series 2006 and Series 2007 GO bonds, and the 2008 Series A GO Bonds. The 2016 Refunding bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through fiscal year 2033.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

On October 23, 2018, the District issued Election of 2012 General Obligation Bonds, Series C (2012 Series C), totaling \$61,000,000. The 2012 Series C bonds bear interest at rates ranging from 3.75% to 5.00% and are scheduled to mature through fiscal year 2044.

Also on October 23, 2018, the District issued Election of 2014 General Obligation Ed-Tech Bonds, Series B (2014 Series B), totaling \$9,760,000. The 2014 Series B bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through fiscal year 2022.

On November 19, 2019, the District issued Election of 2018, Series A General Obligation Bonds totaling \$30,000,000. The Bonds were issued as GO Reauthorization Bonds and bear interest at rates ranging from 2.5% to 5.0%, maturing through August 2046.

A summary of General Obligation Bonds payable as of June 30, 2021 follows:

Series	Interest Rate %	Maturity Date	Balance July 1, 2020	Current Year Issuance	Matured Current Year	Balance June 30, 2021
2008 Series B	2.19%	2026	\$ 16,040,000	-	-	\$ 16,040,000
2008 Series C	5.17-7.08%	2028	10,095,000	-	1,195,000	8,900,000
2008 Series D	5.89-7.72%	2051	43,622,363	-	-	43,622,363
2011 Refunding Bonds	2.00-5.00%	2022	1,165,000	-	1,165,000	-
2012 Refunding Bonds	3.00-5.00%	2029	30,965,000	-	2,405,000	28,560,000
2012 Series A	3.00-5.00%	2043	58,785,000	-	260,000	58,525,000
2014A Refunding Bonds	4.00-5.00%	2040	35,620,000	-	510,000	35,110,000
2012 Series B	3.00-5.00%	2041	23,900,000	-	460,000	23,440,000
2016 Refunding Bonds	2.00-5.00%	2033	114,285,000	-	5,805,000	108,480,000
2012 Series C	3.75-5.00%	2044	58,000,000	-	700,000	57,300,000
2014 Series B	4.00-5.00%	2022	6,660,000	-	3,400,000	3,260,000
2018 Series A	2.50-5.00%	2047	30,000,000	-	1,400,000	28,600,000
Total			<u>\$ 429,137,363</u>	<u>\$ -</u>	<u>\$ 17,300,000</u>	<u>\$ 411,837,363</u>

The annual requirements to amortize the General Obligation Bonds Payable and outstanding as of June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 18,750,000	\$ 16,351,090	\$ 35,101,090
2023	16,830,000	15,455,019	32,285,019
2024	16,586,028	15,082,735	31,668,763
2025	18,121,369	14,741,112	32,862,481
2026	35,630,308	13,794,221	49,424,529
2027-2031	96,259,289	74,103,527	170,362,816
2032-2036	77,726,517	79,225,155	156,951,672
2037-2041	68,763,151	69,992,752	138,755,903
2042-2046	39,763,454	68,919,983	108,683,437
2047-2051	23,407,247	68,129,559	91,536,806
	<u>\$ 411,837,363</u>	<u>\$ 435,795,153</u>	<u>\$ 847,632,516</u>

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

Certificates of Participation (COPs): In February 2018, the District issued Certificates of Participation in the amount of \$30,270,000 with interest rates from 4.00% to 5.00%, maturing on February 1, 2036. The proceeds of 2018 Certificates were used to provide funds to refund the 2007 Certificates.

Scheduled payments for the COPs are as follows:

Year Ending June 30,	<u>Payments</u>
2022	\$ 2,619,000
2023	2,615,000
2024	2,618,000
2025	2,612,500
2026	2,613,750
2027-2031	13,089,250
2032-2036	<u>12,293,750</u>
Total payments	38,461,250
Less amount representing interest	<u>(11,681,250)</u>
Net present value of minimum payments	<u>\$ 26,780,000</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2021 is shown below:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Debt:</u>					
General Obligation Bonds	\$ 429,137,363	\$ -	\$ 17,300,000	\$ 411,837,363	\$ 18,750,000
General Obligation Bonds Premium	31,104,169	-	2,513,261	28,590,908	2,229,655
Accreted interest	37,835,964	6,101,330	-	43,937,294	-
Certificates of Participation	27,995,000	-	1,215,000	26,780,000	1,280,000
Certificates of Participation Premium	4,477,920	-	190,435	4,287,485	199,815
<u>Other long-term liabilities</u>					
Net pension liability (Notes 9 and 10)	501,211,000	22,911,000	2,156,000	521,966,000	-
Total OPEB liability (Note 7)	133,467,099	11,549,996	-	145,017,095	-
Compensated absences	2,445,386	-	277,770	2,167,616	-
	<u>\$ 1,167,673,901</u>	<u>\$ 40,562,326</u>	<u>\$ 23,652,466</u>	<u>\$ 1,184,583,761</u>	<u>\$ 22,459,470</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the total OPEB liability, net pension liability and for compensated absences are made from the fund for which the related employee worked.

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS**

*General Information Other Postemployment Benefits Plan (OPEB)*

Plan Description: In addition to the pension benefits described in Notes 9 and 10, the District provides a single-employer defined benefit healthcare plan to all employees who retire from the District on or after attaining age 55 with at least 10 years of service, in accordance with contracts between the District and employee groups. Benefits are provided for retirees age 55 to 65. The District pays up to \$1,095 per month for health benefits of retirees on a pay-as-you-go basis. The plan does not issue separate financial statements.

The Stockton Unified School District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the District's retirement plan to continue medical, dental and vision coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2021 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2021:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	606
Active Employees	<u>3,214</u>
	<u><u>3,820</u></u>

Benefits Provided: The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District are eligible to receive postemployment health care benefits.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were \$2,433,054 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Mortality Rate</u>	2020 CalSTRS Mortality for Certificated Employees. 2017 CalPERS Mortality for others.
<u>Discount Rate as of June 30, 2021</u>	2.16%. Based on the Bond Buyer 20-Bond Index.
<u>Retirement Rate</u>	Retirement rates march rates developed in The most recent experience studies for California PERS (2017) and California STRS (2020).
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	2.75% per year
<u>Spouse Coverage</u>	80% of retirees are assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality. Female spouses are assumed to be three years younger than male.
<u>Medicare Coverage</u>	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon , age 65.
<u>Participation Rates</u>	Of current and future participating retirees under Age 65, 90% are expected to participate in the Plan. 70% of employees are expected to participate in Medicare upon reaching age 65.
<u>Costs for Retiree Coverage</u>	Retiree liabilities are based on actual retiree premiums plus an implicit rate subsidy of 72.7% of non-Medicare medical premium. Liabilities for active participants vary and are based on the first costs adjusted for an implicit rate subsidy. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Changes in Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 133,467,099
Changes for the year:	
Service cost	10,148,926
Interest	3,021,151
Benefit payments	(2,433,054)
Changes in assumptions	<u>812,973</u>
Net change	<u>11,549,996</u>
Balance at June 30, 2021	<u>\$ 145,017,095</u>

The change of assumptions in the June 30, 2021 measurement included a change in the discount rate from 2.20% in the prior valuation, to 2.16% in the current valuation.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	<u>\$ 166,550,012</u>	<u>\$ 145,017,095</u>	<u>\$ 127,343,612</u>

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	<u>\$ 122,255,880</u>	<u>\$ 145,017,095</u>	<u>\$ 174,687,545</u>

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(Continued)



STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS** (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$13,063,114.

At June 30, 2021 the District reported the following deferred outflows of resources and deferred inflows of resources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 8,990,644	\$ -
Difference between actual and expected experience	<u>-</u>	<u>10,577,454</u>
	<u>\$ 8,990,644</u>	<u>\$ 10,577,454</u>

The changes in assumptions and differences in actual and expected experience will be recognized into OPEB expense as follows:

<u>June 30,</u>		
2022	\$	(106,963)
2023	\$	(106,963)
2024	\$	(106,963)
2025	\$	(106,963)
2026	\$	(106,963)
Thereafter	\$	(1,051,995)

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 8 - FUND BALANCE**

Fund balances, by category, at June 30, 2021 consisted of the following:

	General <u>Fund</u>	Building <u>Fund</u>	All Non-Major <u>Funds</u>	<u>Total</u>
<b>Nonspendable:</b>				
Revolving cash fund	\$ 63,912	\$ -	\$ 1,102	\$ 65,014
Prepaid expenditures	3,594,266	-	94,998	3,689,264
Stores inventory	<u>1,530,806</u>	-	<u>336,927</u>	<u>1,867,733</u>
Subtotal nonspendable	<u>5,188,984</u>	-	<u>433,027</u>	<u>5,622,011</u>
<b>Restricted:</b>				
Legally restricted:				
Grants	29,161,178	-	-	29,161,178
Charter schools	-	-	28,888,655	28,888,655
Cafeteria	-	-	8,082,351	8,082,351
Deferred maintenance	-	-	764,016	764,016
Other programs	-	-	2,327,914	2,327,914
Capital projects	-	72,642,775	15,118,758	87,761,533
Debt service	<u>-</u>	<u>-</u>	<u>48,008,449</u>	<u>48,008,449</u>
Subtotal restricted	<u>29,161,178</u>	<u>72,642,775</u>	<u>103,190,143</u>	<u>204,994,096</u>
<b>Assigned:</b>				
Reserve for future deficit spending	18,500,000	-	-	18,500,000
Reserved for Declining Enrollment	10,000,000	-	-	10,000,000
One time-lottery carryover	<u>1,300,000</u>	<u>-</u>	<u>-</u>	<u>1,300,000</u>
Subtotal assigned	<u>29,800,000</u>	<u>-</u>	<u>-</u>	<u>29,800,000</u>
<b>Unassigned:</b>				
Designated for economic uncertainty	<u>100,337,704</u>	<u>-</u>	<u>-</u>	<u>100,337,704</u>
Total fund balances	<u>\$ 164,487,866</u>	<u>\$ 72,642,775</u>	<u>\$ 103,623,170</u>	<u>\$ 340,753,811</u>

(Continued)

**NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN**

*General Information about the State Teachers' Retirement Plan*

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

*CalSTRS 2% at 60*

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

*CalSTRS 2% at 62*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN** (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill required portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95 percent less than the statutory rate for fiscal year 2020–21 and 2.18 percent less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84.

In addition, the board's rate-setting authority for the state contribution rate was suspended for fiscal year 2020–21 by AB 84. Although the board exercised its authority in May 2020 to increase the state contribution rate by 0.50 percent effective July 1, 2020, the rate increase did not go into effect. Instead, the state rate remained at the 2019–20 level of 7.828 percent.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, SB 90 and AB 84, are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2020-2021.

Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2020-2021. According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1percent since the last timethe member contribution rate was set. Based on the June 30, 2019, valuation adopted by the board in May 2020, the increase in normal cost was less than 1percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2020.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

**NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

*Employers* – 16.15 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90 and AB 84.

The CalSTRS Funding Plan, which was enacted in June 2014 with the passage of California Assembly Bill (AB) 1469, required that employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation gave the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rates effective for fiscal year 2020-2021 through fiscal year 2046-47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment Per Special Legislation</u>	<u>Total</u>
July 1, 2020	8.250%	10.850%	(2.950%)	16.150%
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$34,065,925 to the plan for the fiscal year ended June 30, 2021.

*State* – 10.328 percent of the members’ calculated based on creditable compensation from two fiscal years prior.

The state’s base contribution to the DB Program is calculated based on creditable compensation from two fiscal years prior. As a result of the CalSTRS Funding Plan, the state is required to make additional contributions to pay down the unfunded liabilities associated with the benefit structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code section 22955.1. The increased contributions end as of fiscal year 2045–46. Pursuant to AB 84, the state contribution rate remained at 5.811% for fiscal year 2020-21.

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN** (Continued)

The CalSTRS state contribution rates effective for fiscal year 2020-21 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding<sup>(1)</sup></u>	<u>Total</u>
July 01, 2020	2.017%	5.811%	2.50%	10.328%
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.
- (2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 342,746,000
State's proportionate share of the net pension liability associated with the District	<u>187,308,000</u>
<b>Total</b>	<b><u>\$ 530,054,000</u></b>

The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2020, the District's proportion was 0.354 percent, which was a decrease of 0.028 percent from its proportion measured as of June 30, 2019.

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN** (Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$74,407,459 and revenue of \$24,844,280 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 605,000	\$ 9,666,000
Changes of assumptions	33,423,000	-
Net differences between projected and actual earnings on investments	8,142,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	38,217,000	28,190,000
Contributions made subsequent to measurement date	<u>34,065,925</u>	<u>-</u>
Total	<u>\$ 114,452,925</u>	<u>\$ 37,856,000</u>

\$34,065,925 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2022	\$ 6,683,383
2023	\$ 15,251,383
2024	\$ 16,474,383
2025	\$ 7,955,717
2026	\$ (454,533)
2027	\$ (3,379,333)

Differences between expected and actual experience and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Mortality: CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

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(Continued)



STOCKTON UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

**NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN** (Continued)

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

\* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 517,841,000</u>	<u>\$ 342,746,000</u>	<u>\$ 198,180,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

**NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B**

*General Information about the Public Employer’s Retirement Fund B*

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2020.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2021 were as follows:

*Members* - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2020-21.

*Employers* - The employer contribution rate was 20.70 percent of applicable member earnings.

The District contributed \$18,383,274 to the plan for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$179,220,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2020 the District's proportion was 0.584 percent, which was an increase of 0.048 percent from its proportion measured as of June 30, 2019.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$39,139,685. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,889,000	\$ -
Changes of assumptions	657,000	-
Net differences between projected and actual earnings on investments	3,731,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	14,336,000	-
Contributions made subsequent to measurement date	<u>18,383,274</u>	<u>-</u>
Total	<u>\$ 45,996,274</u>	<u>\$ -</u>

\$18,383,274 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2022	\$ 11,512,333
2023	\$ 8,459,333
2024	\$ 5,924,334
2025	\$ 1,717,000

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

**NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years (1-10)<sup>(1)</sup></u>	<u>Expected Real Rate of Return Years 11+<sup>(2)</sup></u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	(0.00)	(0.92)

\* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period.

(2) An expected inflation rate of 3.00% used for this period.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

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**NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 257,661,000</u>	<u>\$ 179,220,000</u>	<u>\$ 114,117,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 11 – JOINT POWERS AGREEMENTS**

The District participates in certain joint ventures under joint powers agreements, as follows:

Northern California Regional Liability Excess Fund: The District is a member with other districts in San Joaquin County and the San Joaquin County Office of Education in Northern California Regional Liability Excess Fund (NCReLiEF) for the operation of a common risk management and insurance program. NCReLiEF is governed by a board consisting of representatives of member districts. The board controls the operations of NCReLiEF, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for NCReLiEF for the year ended June 30, 2021 is as follows:

Total assets	\$ 82,004,796
Total liabilities	\$ 51,323,041
Total net position	\$ 30,681,755
Total revenues	\$ 78,041,010
Total expenditures	\$ 63,589,183
Change in net position	\$ 14,451,827

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

Schools Association for Excess Risk: The District is a member with other districts in San Joaquin County and the San Joaquin County Office of Education in Schools Association for Excess Risk (SAFER) for the operation of a common risk management and insurance program. SAFER is governed by a board consisting of representatives of member districts. The board controls the operations of SAFER, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for SAFER for the year ended June 30, 2021 is as follows:

Total assets	\$ 43,779,353
Total liabilities	\$ 41,873,705
Total net position	\$ 1,905,648
Total revenues	\$ 101,923,130
Total expenditures	\$ 101,673,081
Change in net position	\$ 250,049

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

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 12 – CONTINGENCIES**

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

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

Construction Commitments: At June 30, 2021, the District had approximately \$3.2 million in outstanding commitments on construction contracts.

**NOTE 13 – SUBSEQUENT EVENT**

On November 10, 2021, the District issued General Obligation Bonds, Election of 2018, Series B (2018 Series B) with a principal amount totaling \$98,000,000, plus premiums totaling \$14,484,509. Proceeds from the issuance of the 2018 Series B Bonds will be used in the modernization and facility upgrades at school sites within the District. The 2018 Series B Bonds bear interest at rates ranging from 0.20% to 4.0% and are scheduled to mature through August 1, 2045.

**REQUIRED SUPPLEMENTARY INFORMATION**



STOCKTON UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2021

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 298,831,056	\$ 326,883,156	\$ 321,753,614	\$ (5,129,542)
Local sources	45,056,069	49,285,607	54,745,003	5,459,396
Total LCFF	<u>343,887,125</u>	<u>376,168,763</u>	<u>376,498,617</u>	<u>329,854</u>
Federal sources	32,227,143	105,219,450	86,798,042	(18,421,408)
Other state sources	65,419,748	71,148,216	84,324,142	13,175,926
Other local sources	<u>5,815,107</u>	<u>14,563,288</u>	<u>12,219,103</u>	<u>(2,344,185)</u>
Total revenues	<u>447,349,123</u>	<u>567,099,717</u>	<u>559,839,904</u>	<u>(7,259,813)</u>
Expenditures:				
Current:				
Certificated salaries	199,989,281	204,543,519	207,251,619	(2,708,100)
Classified salaries	87,345,187	87,863,610	85,905,688	1,957,922
Employee benefits	157,747,394	157,871,960	154,404,149	3,467,811
Books and supplies	19,594,701	77,496,428	38,495,217	39,001,211
Contract services and operating expenditures	42,472,935	58,408,212	40,596,183	17,812,029
Other outgo	-	-	1,338,462	(1,338,462)
Capital outlay	<u>193,304</u>	<u>7,925,660</u>	<u>5,281,414</u>	<u>2,644,246</u>
Total expenditures	<u>507,342,802</u>	<u>594,109,389</u>	<u>533,272,732</u>	<u>60,836,657</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(59,993,679)</u>	<u>(27,009,672)</u>	<u>26,567,172</u>	<u>53,576,844</u>
Other financing sources (uses):				
Transfers in	1,392,390	1,149,871	1,226,489	76,618
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(814,265)</u>	<u>(314,265)</u>
Total other financing sources (uses)	<u>892,390</u>	<u>649,871</u>	<u>412,224</u>	<u>(237,647)</u>
Change in fund balance	<u>(59,101,289)</u>	<u>(26,359,801)</u>	<u>26,979,396</u>	<u>53,339,197</u>
Fund balance, July 1, 2020	<u>137,508,470</u>	<u>137,508,470</u>	<u>137,508,470</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ 78,407,181</u>	<u>\$ 111,148,669</u>	<u>\$ 164,487,866</u>	<u>\$ 53,339,197</u>

See note to required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
For the Year Ended June 30, 2021

	Last 10 Fiscal Years			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability				
Service cost	\$ 6,189,624	\$ 6,375,313	\$ 6,566,572	\$ 10,148,926
Interest	4,359,219	4,573,330	4,776,856	3,021,151
Change of assumptions	-	1,588,048	8,503,065	812,973
Difference between actual and expected experience	-	-	(12,611,580)	-
Benefit payments	<u>(4,929,936)</u>	<u>(4,644,091)</u>	<u>(4,644,091)</u>	<u>(2,433,054)</u>
Net change in total OPEB liability	5,618,907	7,892,600	2,590,822	11,549,996
Total OPEB liability, beginning of year	<u>117,364,770</u>	<u>122,983,677</u>	<u>130,876,277</u>	<u>133,467,099</u>
Total OPEB liability, end of year	<u>\$ 122,983,677</u>	<u>\$ 130,876,277</u>	<u>\$ 133,467,099</u>	<u>\$ 145,017,095</u>
Covered employee payroll	\$ 250,000,000	\$ 282,877,000	\$ 279,600,000	\$ 303,796,000
Total OPEB liability as a percentage of covered-employee payroll	49.20%	46.27%	47.74%	47.74%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2018 are not available.

See note to required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2021

	State Teachers' Retirement Plan Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.325%	0.320%	0.327%	0.317%	0.349%	0.382%	0.354%
District's proportionate share of the net pension liability	\$ 189,746,000	\$ 215,767,000	\$ 264,825,000	\$ 292,854,000	\$ 320,787,000	\$ 344,902,000	\$ 342,746,000
State's proportionate share of the net pension liability associated with the District	<u>114,578,000</u>	<u>114,117,000</u>	<u>150,775,000</u>	<u>173,251,000</u>	<u>183,666,000</u>	<u>188,168,000</u>	<u>187,308,000</u>
Total net pension liability	<u>\$ 304,324,000</u>	<u>\$ 329,884,000</u>	<u>\$ 415,600,000</u>	<u>\$ 466,105,000</u>	<u>\$ 504,453,000</u>	<u>\$ 533,070,000</u>	<u>\$ 530,054,000</u>
District's covered payroll	\$ 144,623,000	\$ 148,755,000	\$ 163,180,000	\$ 179,689,000	\$ 187,383,000	\$ 201,146,000	\$ 190,968,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	162.98%	171.19%	171.47%	179.48%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2021

	Public Employer's Retirement Fund B Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.503%	0.493%	0.474%	0.463%	0.511%	0.536%	0.584%
District's proportionate share of the net pension liability	\$ 59,175,446	\$ 78,908,000	\$ 96,785,000	\$ 115,735,000	\$ 136,278,000	\$ 156,309,000	\$ 179,220,000
District's covered payroll	\$ 54,130,000	\$ 59,697,000	\$ 59,198,000	\$ 61,741,000	\$ 50,961,000	\$ 77,230,000	\$ 84,137,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	109.32%	132.18%	163.49%	187.45%	267.42%	202.39%	213.01%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See note to required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2021

	State Teachers' Retirement Plan Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 13,209,402	\$ 17,509,201	\$ 22,604,934	\$ 27,039,404	\$ 32,746,531	\$ 35,276,179	\$ 34,065,925
Contributions in relation to the contractually required contribution	<u>(13,209,402)</u>	<u>(17,509,201)</u>	<u>(22,604,934)</u>	<u>(27,039,404)</u>	<u>(32,746,531)</u>	<u>(35,276,179)</u>	<u>(34,065,925)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 148,755,000	\$ 163,180,000	\$ 179,689,000	\$ 187,383,000	\$ 201,146,000	\$ 190,968,000	\$ 178,356,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**

All years prior to 2015 are not available.

\* This rate reflects the original employer contribution rate of 18.13 percent under AB 1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB90.

\*\* This rate reflects the original employer contribution rate of 19.10 percent under AB 1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB90.

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2021

Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 7,026,907	\$ 7,013,119	\$ 8,820,816	\$ 7,914,234	\$ 13,949,345	\$ 17,031,685	\$ 18,383,274
Contributions in relation to the contractually required contribution	<u>(7,026,907)</u>	<u>(7,013,119)</u>	<u>(8,820,816)</u>	<u>(7,914,234)</u>	<u>(13,949,345)</u>	<u>(17,031,685)</u>	<u>(18,383,274)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 59,697,000	\$ 59,198,000	\$ 61,741,000	\$ 50,961,000	\$ 77,230,000	\$ 84,137,000	\$ 88,808,000
Contributions as a percentage of covered payroll	11.77%	11.85%	14.29%	15.53%	18.06%	19.72%	20.70%

All years prior to 2015 are not available.

See note to required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2021

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**NOTE 1 - PURPOSE OF SCHEDULES**

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Schedule of Changes in the Total Liability: The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rates used for the total OPEB liability were 3.50, 2.20, and 2.16 percent at the June 30, 2019, 2020, and 2021 measurement dates, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, and 2020 actuarial reports, respectively.

<u>Assumption</u>	<u>Measurement Period</u>					
	As of June 30, <u>2020</u>	As of June 30, <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

**SUPPLEMENTARY INFORMATION**



STOCKTON UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
ALL NON-MAJOR FUNDS  
June 30, 2021

	Student Activity Fund	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
<b>ASSETS</b>											
Cash in County Treasury	\$ -	\$ 29,562,874	\$ 880,689	\$ (71,703)	\$ (336,379)	\$ 770,770	\$ 6,003,875	\$ 12,381,448	\$ 35,208,773	\$ 2,750,307	\$ 87,150,654
Cash on hand and in banks	842,363	-	2,000	-	24,138	-	-	-	-	-	868,501
Cash in revolving fund	-	582	520	-	-	-	-	-	-	-	1,102
Cash with Fiscal Agent	-	-	-	-	-	-	-	-	-	10,945,634	10,945,634
Receivables	-	4,801,636	266,442	2,724,904	6,972,511	-	5,096	13,209	367,589	2,475	15,153,862
Due from other funds	-	799,117	-	43,017	3,071,710	6,917	500,000	814,990	-	2,140,000	7,375,751
Stores Inventory	-	-	-	-	336,927	-	-	-	-	-	336,927
Prepaid expenditures	-	94,998	-	-	-	-	-	-	-	-	94,998
<b>Total assets</b>	<b>\$ 842,363</b>	<b>\$ 35,259,207</b>	<b>\$ 1,149,651</b>	<b>\$ 2,696,218</b>	<b>\$ 10,068,907</b>	<b>\$ 777,687</b>	<b>\$ 6,508,971</b>	<b>\$ 13,209,647</b>	<b>\$ 35,576,362</b>	<b>\$ 15,838,416</b>	<b>\$ 121,927,429</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	\$ -	\$ 2,355,585	\$ 85,373	\$ 673,206	\$ 145,333	\$ 13,671	\$ 25,528	\$ 11,366	\$ 1,266,329	\$ -	\$ 4,576,391
Unearned revenue	-	400,562	10,239	1,513,293	160,000	-	-	835,776	-	-	2,919,870
Due to other funds	-	3,518,825	36,047	41,640	1,344,296	-	-	3,727,190	2,140,000	-	10,807,998
<b>Total liabilities</b>	<b>-</b>	<b>6,274,972</b>	<b>131,659</b>	<b>2,228,139</b>	<b>1,649,629</b>	<b>13,671</b>	<b>25,528</b>	<b>4,574,332</b>	<b>3,406,329</b>	<b>-</b>	<b>18,304,259</b>
Fund balances:											
Nonspendable	-	95,580	520	-	336,927	-	-	-	-	-	433,027
Restricted	842,363	28,888,655	1,017,472	468,079	8,082,351	764,016	6,483,443	8,635,315	32,170,033	15,838,416	103,190,143
<b>Total fund balance</b>	<b>842,363</b>	<b>28,984,235</b>	<b>1,017,992</b>	<b>468,079</b>	<b>8,419,278</b>	<b>764,016</b>	<b>6,483,443</b>	<b>8,635,315</b>	<b>32,170,033</b>	<b>15,838,416</b>	<b>103,623,170</b>
<b>Total liabilities and fund balances</b>	<b>\$ 842,363</b>	<b>\$ 35,259,207</b>	<b>\$ 1,149,651</b>	<b>\$ 2,696,218</b>	<b>\$ 10,068,907</b>	<b>\$ 777,687</b>	<b>\$ 6,508,971</b>	<b>\$ 13,209,647</b>	<b>\$ 35,576,362</b>	<b>\$ 15,838,416</b>	<b>\$ 121,927,429</b>

STOCKTON UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2021

	Student Activity Fund	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
Revenues:											
LCFF State appointment	\$ -	\$ 24,354,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,354,258
Federal sources	-	145,124	620,247	7,969,763	18,905,587	-	-	-	-	-	27,640,721
Other state sources	-	2,789,780	4,784,668	8,343,198	904,724	-	-	358,064	349,776	-	17,530,210
Other local sources	976,303	149,015	30,789	-	8,245	132	3,048,105	967,354	40,957,112	3,854,774	49,991,829
Total revenues	976,303	27,438,177	5,435,704	16,312,961	19,818,556	132	3,048,105	1,325,418	41,306,888	3,854,774	119,517,018
Expenditures:											
Current:											
Certificated salaries	-	10,540,293	2,180,918	6,149,597	-	-	-	-	-	-	18,870,808
Classified salaries	-	1,248,524	539,810	3,262,633	6,402,303	-	-	398,149	-	-	11,851,419
Employee benefits	-	6,312,810	1,371,128	5,410,429	4,309,520	-	-	211,725	-	-	17,615,612
Books and supplies	1,160,181	385,625	140,910	1,101,860	8,303,622	-	-	119,695	-	-	11,211,893
Contract services and operating expenditures	-	1,499,367	742,231	363,139	224,339	8,425	61,859	185,394	-	-	3,084,754
Capital outlay	-	-	-	8,681	146,342	1,459,940	-	2,033,825	-	-	3,648,788
Other Outgo	-	-	804,896	-	-	-	-	-	-	-	804,896
Debt Service											
Principal retirement	-	-	-	-	-	-	1,215,000	-	17,300,000	-	18,515,000
Interest	-	-	-	-	-	-	1,373,099	-	16,881,447	-	18,254,546
Total expenditures	1,160,181	19,986,619	5,779,893	16,296,339	19,386,126	1,468,365	2,649,958	2,948,788	34,181,447	-	103,857,716
(Deficiency) excess of revenues (under) over expenditures	(183,878)	7,451,558	(344,189)	16,622	432,430	(1,468,233)	398,147	(1,623,370)	7,125,441	3,854,774	15,659,302
Other financing (uses) sources:											
Transfers in	-	-	-	-	-	-	-	814,265	-	1,070,000	1,884,265
Transfers out	-	(1,344)	(158,685)	(557,125)	(509,335)	-	-	-	(1,070,000)	-	(2,296,489)
Total other financing (uses) sources	-	(1,344)	(158,685)	(557,125)	(509,335)	-	-	814,265	(1,070,000)	1,070,000	(412,224)
Net change in fund balances	(183,878)	7,450,214	(502,874)	(540,503)	(76,905)	(1,468,233)	398,147	(809,105)	6,055,441	4,924,774	15,247,078
Fund balance, July 1, 2020	-	21,534,021	1,520,866	1,008,582	8,496,183	2,232,249	6,085,296	9,444,420	26,114,592	10,913,642	87,349,851
Cumulative effect of GASB 84	1,026,241	-	-	-	-	-	-	-	-	-	1,026,241
Fund balance, July 1, 2020 as restated	1,026,241	21,534,021	1,520,866	1,008,582	8,496,183	2,232,249	6,085,296	9,444,420	26,114,592	10,913,642	88,376,092
Fund balance, June 30, 2021	\$ 842,363	\$ 28,984,235	\$ 1,017,992	\$ 468,079	\$ 8,419,278	\$ 764,016	\$ 6,483,443	\$ 8,635,315	\$ 32,170,033	\$ 15,838,416	\$ 103,623,170

STOCKTON UNIFIED SCHOOL DISTRICT  
ORGANIZATION

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Stockton Unified School District was established on July 1, 1936. The District operates 39 elementary schools, and 7 secondary schools. The District also operates 2 elementary and 3 secondary charter schools. The District maintains five specialized educational programs, including an adult school. There were no changes in District boundaries during the year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Cecilia Mendez	President	2024
Ray Zulueta	Vice-President	2024
Anglann Flores	Member	2022
Zachary Ignacio Avelar	Member	2022
Scott McBrien	Member	2022
Maria Mendez	Member	2024
Alicia Rico	Member	2024

ADMINISTRATION

John Ramirez, Jr.  
Superintendent

Marcus Battle  
Chief Business Official

Nancy Lane  
Assistant Superintendent, Human Resources

Roxanna Villasenor  
Assistant Superintendent, Educational Services

Francine Baird  
Assistant Superintendent, Educational Support Services

STOCKTON UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2021

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<u>Grade Level</u>	Number of Days Traditional <u>Calendar</u>	<u>Status</u>
<b>DISTRICT</b>		
Kindergarten	180	In compliance
Grade 1	180	In compliance
Grade 2	180	In compliance
Grade 3	180	In compliance
Grade 4	180	In compliance
Grade 5	180	In compliance
Grade 6	180	In compliance
Grade 7	180	In compliance
Grade 8	180	In compliance
Grade 9	180	In compliance
Grade 10	180	In compliance
Grade 11	180	In compliance
Grade 12	180	In compliance
<b>CHARTER SCHOOLS</b>		
<u>Nightingale Elementary Charter School</u>		
Kindergarten	180	In compliance
Grade 1	180	In compliance
Grade 2	180	In compliance
Grade 3	180	In compliance
Grade 4	180	In compliance
Grade 5	180	In compliance
Grade 6	180	In compliance
Grade 7	180	In compliance
Grade 8	180	In compliance
<u>Pittman Elementary Charter School</u>		
Kindergarten	180	In compliance
Grade 1	180	In compliance
Grade 2	180	In compliance
Grade 3	180	In compliance
Grade 4	180	In compliance
Grade 5	180	In compliance
Grade 6	180	In compliance
Grade 7	180	In compliance
Grade 8	180	In compliance

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2021

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<u>Grade Level</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b>CHARTER SCHOOLS (Continued)</b>		
<u>Stockton Health Careers Academy</u>		
Grade 9	180	In compliance
Grade 10	180	In compliance
Grade 11	180	In compliance
Grade 12	180	In compliance
<u>Pacific Law Academy</u>		
Grade 9	180	In compliance
Grade 10	180	In compliance
Grade 11	180	In compliance
Grade 12	180	In compliance
<u>Stockton Unified Early College Academy</u>		
Grade 9	180	In compliance
Grade 10	180	In compliance
Grade 11	180	In compliance
Grade 12	180	In compliance

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See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2021

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611	13379	\$ 8,461,150
84.027A	Special Education: IDEA Mental Health Services, Part B, Sec 611	15321	209,115
84.027A	Special Ed: Supporting Inclusive Practices	13693	18,701
84.173	Special Ed: IDEA Preschool Grants, Part B, Sect. 619	13430	147,557
84.173A	Special Ed: Alternate Dispute Resolution, Part B, Sec. 611	13007	11,327
84.173A	Special Ed: IDEA Preschool Staff Development, Part B	13431	1,063
Subtotal Special Education Cluster			<u>8,848,913</u>
Adult Education Programs:			
84.002	Adult Education: Adult Basic Education and Education State Leadership (Section 231)	14508	388,387
84.002A	Adult Education: English Literacy & Civics Education - Local Grant	14109	46,755
84.002	Adult Education: Adult Secondary Education (Section 231)	13978	185,105
Subtotal Adult Education Programs			<u>620,247</u>
Title III Programs:			
84.365	ESEA: Title III, Immigrant Student Program	15146	63,866
84.365	ESEA: Title III, English Learner Student Program	14346	936,925
Subtotal Title III Programs			<u>1,000,791</u>
COVID-19: Education Stabilization Fund (ESF) Programs:			
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER I) Fund	15536	8,862,907
84.425	COVID-19: Elementary and Secondary School Relief II (ESSER II) Fund	15547	9,956,517
84.425C	COVID-19: Governor's Emergency Education Relief Fund	15517	706,033
Subtotal COVID-19: ESF Programs			<u>19,525,457</u>
Title I Programs:			
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	15,898,473
84.010	ESEA: School Improvement Funding for LEAs	15438	1,148,579
Subtotal Title I Programs			<u>17,047,052</u>

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2021

Assistance Listing <u>Number</u>	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying <u>Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (continued)</u>			
84.060	Indian Education (from Federal Government)	10011	\$ 82,712
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	473,953
84.184M	School Safety National Activities	N/A	118,439.00
84.181	Special Education: IDEA Early Intervention Grants	24314	67,389
84.126	Department of Rehabilitation: Workability II, Transition Partnership	10006	370,406
84.196	ESEA: Title IX, Part A, McKinney-Vento Homeless Assistance	14332	77,144
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	2,105,365
84.424	ESEA Title IV, Part A, Student Support and Academic Enrichment Grants	15396	<u>2,539,880</u>
Total U.S. Department of Education			<u>52,877,748</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.600	SJCOE Head Start Cluster	10016	7,767,970
93.575	COVID-19: Child Dev. Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - CCDF Cluster	15555	424,773
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	<u>580,409</u>
Total U.S. Department of Health and Human Services			<u>8,773,152</u>
<u>U.S. Department of Treasury - Passed through California Department of Education</u>			
21.019	COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation	25516	<u>33,968,516</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13396	11,017,779
10.558	Child Nutrition: CACFP Claims- Centers and Family Day Care	13393	<u>7,922,946</u>
Total U.S. Department of Agriculture			<u>18,940,725</u>
Total Federal Programs			<u>\$ 114,560,141</u>

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021

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	<u>Charter School Fund</u>
June 30, 2021 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 25,565,141
To record corrective entries for 2020-2021 Charter School LCFF State Aid apportionment earned during the year ended June 30, 2021. *	<u>3,419,094</u>
June 30, 2021 Audited Financial Statements Ending Fund Balance	<u>\$ 28,984,235</u>
	<u>Bond Interest and Redemption Fund</u>
June 30, 2021 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 24,163,165
To record corrective entries for entries incorrectly posted to the Cash in County Treasury account during the year ended June 30, 2021.*	<u>8,006,868</u>
June 30, 2021 Audited Financial Statements Ending Fund Balance	<u>\$ 32,170,033</u>
	<u>Debt Service Fund</u>
June 30, 2021 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 11,997,787
To record the net effect of investment activity in Cash With Fiscal Agent account during the year ended June 30, 2021.*	<u>3,840,629</u>
June 30, 2021 Audited Financial Statements Ending Fund Balance	<u>\$ 15,838,416</u>

\* Refer to Finding 2021-001 for a material weakness regarding internal control over financial reporting.

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See accompanying notes to supplementary information.



STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2021  
(UNAUDITED)

	(Budget) <u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 730,298,840	\$ 561,066,393	\$ 533,153,209	\$ 501,729,842
Expenditures	744,918,634	533,272,732	505,675,556	513,887,906
Other uses and transfers out	<u>500,000</u>	<u>814,265</u>	<u>2,043,838</u>	<u>1,063,297</u>
Total outgo	<u>745,418,634</u>	<u>534,086,997</u>	<u>507,719,394</u>	<u>514,951,203</u>
Change in fund balance	<u>\$ (15,119,794)</u>	<u>\$ 26,979,396</u>	<u>\$ 25,433,815</u>	<u>\$ (13,221,361)</u>
Ending fund balance	<u>\$ 149,368,072</u>	<u>\$ 164,487,866</u>	<u>\$ 137,508,470</u>	<u>\$ 112,074,655</u>
Available reserves	<u>\$ 121,984,899</u>	<u>\$ 100,337,704</u>	<u>\$ 677,504</u>	<u>\$ 10,188,712</u>
Designated for economic uncertainties	<u>\$ 121,984,899</u>	<u>\$ 100,337,704</u>	<u>\$ 677,504</u>	<u>\$ 10,188,712</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>16.36%</u>	<u>18.79%</u>	<u>0.13%</u>	<u>2.00%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$1,260,124,291</u>	<u>\$ 1,184,583,761</u>	<u>\$ 1,167,673,901</u>	<u>\$1,103,232,058</u>
Average daily attendance at P-2, excluding Charter School	<u>32,922</u>	<u>32,923</u>	<u>32,923</u>	<u>33,056</u>

The fund balance of the General Fund has increased by \$39,191,850 over the past three years. The fiscal year 2021-2022 budget projects a decrease of \$15,119,794. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2021, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years; however, anticipates incurring an operating deficit during the fiscal year ending June 30, 2022.

Total long-term liabilities have increased by \$81,351,703 over the past two years.

Average daily attendance has decreased by 133 over the past two years. The District anticipates a decrease of 1 ADA for the 2021-2022 fiscal year.

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2021

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<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
1318 - Nightingale Charter School	Included in District Financial Statements
1197 - Pittman Charter School	Included in District Financial Statements
1283 - Health Careers Academy	Included in District Financial Statements
1316 - Pacific Law Academy	Included in District Financial Statements
1083 - Stockton Early College Academy	Included in District Financial Statements
1048 - Aspire Langston Hughes Academy	Separate Report
1552 - Aspire APEX Academy	Separate Report
1553 - Aspire Port City Academy	Separate Report
0554 - Aspire Rosa Parks Academy	Separate Report
2063- Aspire Stockton TK-5	Separate Report
2064 - Aspire Stockton 6-12	Separate Report
2077 - Voices-College Bound Language Academy at Stockton	Separate Report
1027 - Dr. Lewis Dolphin Stallworth Sr. Charter Schools	Separate Report
1142 - Stockton Collegiate Int Elem	Separate Report
1143 - Stockton Collegiate Int Secondary	Separate Report
2109 - KIPP Stockton K-12	Separate Report
1890 - TEAM Charter Academy	Separate Report

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See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2021

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**NOTE 1 - PURPOSE OF SCHEDULES**

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

Schedule of Expenditure of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Stockton Unified School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2020-21 fiscal year, as required by the State Controller's Office.

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

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2021, the District did not adopt this program.

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

Board of Education  
Stockton Unified School District  
Stockton, California

**Report on Compliance with State Laws and Regulations**

We have audited Stockton Unified School District's compliance with the types of compliance requirements described in the State of California *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2021.

<u>Description</u>	<u>Procedures Performed</u>
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Charter School Facility Grant Program	Yes

(Continued)

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

The District did not offer an Apprenticeship: Related and Supplemental Instruction program; therefore, we did not perform any procedures related to this program.

The District did not operate as a District of Choice; therefore, we did not perform any procedures related to this program.

The District did not operate an Independent Study-Course Based Program; therefore, we did not perform any procedures related to this program.

The District did not offer Nonclassroom-Based Instruction/Independent Study for Charter Schools, or Determination of Funding for Nonclassroom-Based Instruction for Charter Schools Program; therefore, we did not perform any procedures related to these programs in the current year.

### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on Stockton Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Stockton Unified School District's compliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Stockton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Basis for Qualified Opinion on Compliance with State Laws and Regulations***

As described in Findings 2021-002 and 2021-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Stockton Unified School District did not comply with the requirements regarding Classroom Teacher Salaries and School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Stockton Unified School District to comply with the requirements applicable to the state laws and regulations referred to above.

### **Qualified Opinion on Compliance with State Laws and Regulations**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Stockton Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2021.

### **Other Matter**

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

### **Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Crowe LLP*  
Crowe LLP

Sacramento, California  
April 15, 2022

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

Board of Education  
Stockton Unified School District  
Stockton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockton Unified School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Stockton Unified School District's basic financial statements, and have issued our report thereon dated April 15, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Stockton Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stockton Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Stockton Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 that we consider to be a material weakness.

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(Continued)

## **Compliance and Other Matters**

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

## **Stockton Unified School District's Response to Finding**

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

## **Purpose of this Report**

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

*Crowe LLP*  
Crowe LLP

Sacramento, California  
April 15, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY UNIFORM GUIDANCE

Board of Education  
Stockton Unified School District  
Stockton, California

**Report on Compliance for Each Major Federal Program**

We have audited Stockton Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Stockton Unified School District's major federal programs for the year ended June 30, 2021. Stockton Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Stockton Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stockton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Stockton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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(Continued)

## **Report on Internal Control Over Compliance**

Management of Stockton Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stockton Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stockton Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crowe LLP*  
Crowe LLP

Sacramento, California  
April 15, 2022

## **FINDINGS AND RECOMMENDATIONS**

STOCKTON UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2021

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  Yes   No

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

Noncompliance material to financial statements noted?   Yes  X  No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?   Yes  X  No

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   Yes  X  No

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation
84.425, 84.425C	COVID-19: ESF Programs
10.558	Child Nutrition: CACFP Claims Centers and Family Day Care
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?   Yes  X  No

**STATE AWARDS**

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

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2021-001 MATERIAL WEAKNESS - INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)**

Criteria: Management is responsible for the preparation and fair presentation of their financial statements, as well as the design, implementation, and maintenance of relevant internal control to ensure their financial statements are free from material misstatement, whether due to fraud or error.

Condition: The following areas were noted as deficiencies in internal control over financial reporting which collectively were determined to be a material weakness:

- A material adjusting journal entry was necessary to report total state aid revenue from Local Control Funding Formula (LCFF) for the District's Charter School fund. Management did not post entries to reflect recent activity in the account as part of their year-end close process. Management identified and provided the necessary entries after inquiries made through the audit process.
- Material adjusting journal entries were necessary to correctly report the balance of Cash in County Treasury in District's Bond Interest and Redemption Fund (Fund 51) as of June 30, 2021. Journal entries posted in error by the District resulted in District records not agreeing to the reconciled balances maintained by the San Joaquin County Treasurer and San Joaquin County Office of Education. Management identified and provided the necessary entries after inquiries made through the audit process.
- A material adjusting journal entry was necessary to correctly report the balance of Cash with Fiscal Agent in District's the Debt Service Fund (Fund 56) as of June 30, 2021. Management did not post entries to reflect recent activity in the account as part of their year-end close process. Management identified and provided the necessary entries after inquiries made through the audit process.

Effect: Adjusting entries were necessary to report the financial position of the District in accordance with Generally Accepted Accounting Principles (GAAP), and in compliance with the California School Accounting Manual (CSAM).

Cause: The District did not establish and follow adequate internal control procedures to ensure debt transactions were recorded in the proper governmental fund of the District. Further, the District's financial closing process was not completed in a timely and effective basis to ensure that all cash related transactions were properly reflected in the books of the District, and in the correct fiscal period.

Recommendation: We recommend that the District's management team implement necessary internal controls to ensure the accuracy of financial reporting. As part of a monthly and/or annual financial close, the District's management team should ensure that all general ledger accounts, for all District funds, are reconciled and adjusted as necessary to ensure accurate financial reporting for the year.

Views of Responsible Officials and Planned Corrective Action: Management concurs with findings. During the end of fiscal year 20-21, business services was impacted by staff changes and resignations. As part of our monthly procedures, staff will review and reconcile general ledger accounts for all district funds. The district will assign specific general ledger staff to reconcile, review, and adjust these funds as necessary to ensure there is accurate financial reporting.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2021-002 - DEFICIENCY - CLASSROOM TEACHER SALARIES (61000)**

Criteria: The District's expenditures related to classroom teacher salaries during the audit year, are required to meet or exceed 55% of the total current expense of education in the District's General Fund, as required by Education Code section 41372.

Condition: The District's total current expense of education in the General Fund for the audit year was calculated to be \$491,776,137, and classroom teacher salaries totaled \$251,756,811. The ratio of classroom teacher salaries to the current expense of education is calculated as 51.19%, which is deficient by 3.81%, or \$18,736,671 from the requirement of 55%.

Effect: The District did not comply with Classroom Teacher Salaries requirements for the year ended June 30, 2021.

Cause: The District did not establish adequate internal controls to ensure that total expenditures for classroom teacher salaries exceeded the minimum required percentage.

Recommendation and Identification as Repeat Finding: This is a repeat finding of Findings 2020-001 and 2019-002 identified during the audits of the years ended June 30, 2020 and 2019, respectively. The District's management should implement necessary internal controls to ensure that classroom teacher salaries exceed the minimum required percentage, of the current expense of education in the General Fund.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding and continues to will work to implement necessary internal controls to ensure that classroom teacher salaries exceed the minimum required percentage in future reporting periods.

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(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2021-003 - DEFICIENCY – SCHOOL ACCOUNTABILITY REPORT CARD (61000)**

Criteria: Education Code Section 33126(b)(8) states that the school accountability report card shall include, but is not limited to, assessment of the following school conditions: (8) Safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair as specified in Section 17014, Section 17032.5, subdivision (a) of Section 17070.75, and subdivision (b) of Section 17089.

Condition: At one district site sampled for testing, teacher assignments and/or vacancy attributes as identified on the site's school accountability report card were not consistent with the supporting documentation provided by management.

Effect: The District is not in compliance with Education Code 33126(b)(8) due to the inconsistency noted.

Cause: The errors were the result of clerical errors in the preparation of the school accountability report card.

Recommendation: The District should ensure that all sites' school accountability report cards are completed appropriately and agree to the supporting information for each relevant reporting area required by Ed Code 33126(b)(8).

Views of Responsible Officials and Planned Corrective Actions: The District concurs with the auditor's recommendation and will work to ensure that the school accountability report cards are completed appropriately for future fiscal periods.



**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

STOCKTON UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2021

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**2020-001**

**Condition:** The District's total current expense of education in the General Fund for the audit year was calculated to be \$461,313,533, and classroom teacher salaries totaled \$247,242,086. The ratio of classroom teacher salaries to the current expense of education is calculated as 53.60%, which is deficient by 1.40% from the requirement of 55%.

**Recommendation:** The District's management should implement necessary internal controls to ensure that classroom teacher salaries exceed the minimum required percentage, of the current expense of education in the General Fund.

**Current Status:** Not implemented, see current year Finding 2021-002.

**District Explanation if Not Implemented:** The District's total current expense of education in the General Fund was again deficient when compared against the required ratio of 55%.