

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
Folsom, California

FINANCIAL STATEMENTS
June 30, 2014

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Folsom Cordova Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 10 and the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 49 and 50 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 Folsom Cordova Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of Folsom Cordova Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Folsom Cordova Unified School District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Management Discussion & Analysis

The Management Discussion and Analysis Section of the audit is management’s view of the District’s financial condition, and provides an opportunity to discuss important fiscal issues with the Board of Education and the public.

Financial Reports

Two financial reports are included in the audit this year, the Statement of Net Position and the Statement of Activities, which begin on page 11. These two statements report the district-wide financial condition and activities. The individual fund statements which focus on reporting the District’s operations in more detail begin on page 13.

Overview of the Financial Statements

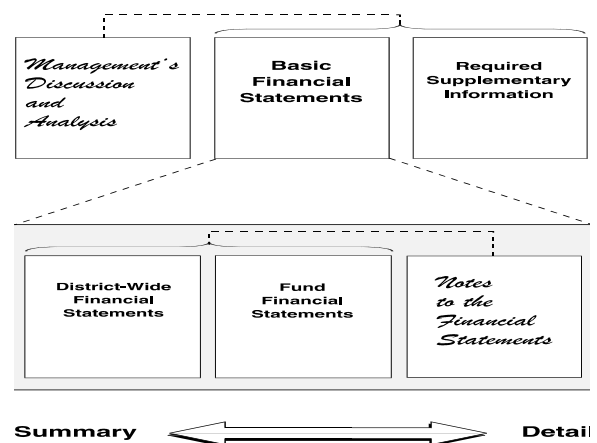
This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-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 District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *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 year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 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.

Figure A-1. Organization of Folsom Cordova USD Annual Financial Report



District-wide Statements

The district-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 district-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's adult education programs and food services are included here.

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 (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *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 you determine 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 district-

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-wide	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: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> •statement of net assets •statement of activities 	<ul style="list-style-type: none"> •balance sheet •statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> •statement of net assets •statement of revenues, expenses & changes in fund net assets •statement of cash flows 	<ul style="list-style-type: none"> •statement of fiduciary net assets •statement of changes in fiduciary net assets
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's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during 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 year, regardless of when cash is received or paid

wide statements, we provide additional information at the bottom of the governmental funds statements that explains 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 district-wide statements.
- In fact, the District’s *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *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 and a Statement of Change in Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Statement of Net Position

Beginning in fiscal year 2001-2002, the District accounted for the value of fixed assets and included these values as part of the financial statements. Listed below is the value of all assets including buildings, land and equipment. Depreciation is included.

	All Funds Governmental Activities		Percentage Change
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
Current and other assets	\$ 64,678,602	\$ 85,941,784	
Capital assets	<u>445,890,058</u>	<u>441,904,445</u>	
Total assets	510,568,660	527,846,229	3.4%
Deferred loss from refunding of debt	-	1,484,354	
Long-term debt outstanding	255,836,681	278,341,987	
Other liabilities	<u>4,593,899</u>	<u>6,655,925</u>	
Total liabilities	260,430,580	284,997,912	9.4%
Net investment in capital assets	215,842,029	215,401,836	
Restricted	35,123,954	37,566,205	
Unrestricted	<u>-827,903</u>	<u>-8,635,370</u>	
Total net position	250,138,080	244,332,671	-2.3%

Land is accounted for at purchase value, not market value, and is not depreciated. Many of our school sites have low values for today’s market because the District acquired the land many decades ago. We have determined the value of school buildings to be the depreciated cost of modernization unless the building is less than 25 years old. For newer buildings, the value is the construction cost less depreciation. Increases in assets and liabilities are due to construction of buildings and new bonds that have been issued.

Statement of Activities

	Governmental Activities	
	<u>2013</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,840,657	\$ 1,542,246
Operating Grants	27,611,431	29,583,686
Capital Grants and Contributions	-	12,180
General Revenues		
Property Taxes	49,919,108	56,605,661
Federal and State Aid	75,442,103	79,647,903
Other	<u>11,619,786</u>	<u>11,241,198</u>
Total Revenues	<u>\$166,433,085</u>	<u>\$178,632,874</u>
Program Expenses		
Instruction	94,821,365	109,448,353
Instruction Related Services	16,660,064	17,171,164
Pupil Services	15,444,422	16,258,350
Ancillary Services	2,860,499	2,993,867
Data Processing	-	2,375,992
General Administration	9,216,377	7,547,454
Plant Services	14,782,920	15,419,266
Interest	12,086,606	11,850,485
Other	<u>217,169</u>	<u>1,373,352</u>
Total Expenses	<u>166,089,220</u>	<u>184,438,283</u>
Increase (Decrease) in Net Position	343,663	(5,805,409)
Net position – Beginning	<u>249,794,417</u>	<u>250,138,080</u>
Net position – Ending	<u>\$ 250,138,080</u>	<u>\$ 244,332,671</u>

Financial Condition of General Fund

Folsom Cordova Unified School District is striving to maintain its solid financial condition. The following table summarizes operational fund financial statements:

	General Fund		Percentage Change <u>2013-2014</u>
	<u>2013</u>	<u>2014</u>	
Total Revenues	\$ 139,796,818	\$ 147,694,767	
Expenditures	136,455,489	152,977,622	
Other financing uses	<u>-1,402,176</u>	<u>-1,094,900</u>	
Excess of revenues over expenditures	\$ 1,939,153	\$ -6,377,755	-428.9%

Future good financial performance will depend on management’s ability to continue to control expenses, and to maintain current and generate new revenues.

Capital Assets

At year-end, the District has invested \$8,666,608 in modernization and new construction from the following combined sources for 2013-14. This represents an 83.42% increase from last year’s amount of \$4,725,095.

	All Funds		Percentage Change <u>2013-2014</u>
	<u>2013</u>	<u>2014</u>	
Land	\$ 49,116,097	\$ 49,116,097	
Improvement of sites	27,331,840	29,411,947	
Buildings	483,495,744	489,397,351	
Equipment	33,977,277	35,488,342	
Work-in-process	<u>14,970,568</u>	<u>14,144,397</u>	
Total	\$ 608,891,526	\$ 617,558,134	1.4%

District Indebtedness

At year-end, the District has incurred \$278,341,987 of long-term debt. Of that, \$229,532,113 is General Obligation Bonds secured by property tax increases voted on by local residents. In January 2007, the District issued \$35.8 million in Certificates of Participation for new school construction projects in Folsom. In October 2007, the District sold \$64 million in bonds for SFID #3 (Measure M) and SFID #4 (Measure N). Proceeds from Measure M will be used to acquire land and construct new facilities. Proceeds from Measure N will fund a wide variety of projects throughout the existing campuses in Rancho Cordova.

	Governmental Activities		Percentage Change <u>2013-2014</u>
	<u>2013</u>	<u>2014</u>	
Compensated absences	\$ 858,696	\$ 830,281	
Certificates of participation	24,102,349	21,517,349	
General obligation bonds	203,667,597	229,532,113	
Capital lease	2,278,085	336,146	
Post-employment medical benefit:	<u>24,929,954</u>	<u>26,126,098</u>	
Total	\$ 255,836,681	\$ 278,341,987	8.8%

Cost of Governmental Services

At year-end, the District’s General Fund cost of operation was \$152,977,622. Total District expenditures were \$16,664,583 more than the previous year due to step and column adjustments, staff development and sites spending carryover money.

	General Fund		Percentage Change <u>2013-2014</u>
	<u>2013</u>	<u>2014</u>	
Instruction	\$ 100,751,960	\$ 111,525,348	
Pupil services	9,989,495	10,757,094	
Ancillary services	2,874,333	3,008,776	
Community services	0	0	
General Administration	7,547,652	8,249,511	
Enterprise	-17,411	-17,167	
Plant Services	14,212,788	16,726,594	
Other Outgo	<u>618,081</u>	<u>2,727,466</u>	
Total	\$ 135,976,898	\$ 152,977,622	12.5%

Budget to Actual Analysis

The District develops its budget pursuant to the Governor’s proposals. Throughout the year the budget is adjusted primarily due to new or adjusted funding levels. A comparison of the General Fund Budget to Actual Revenues and Expenditures is as follows:

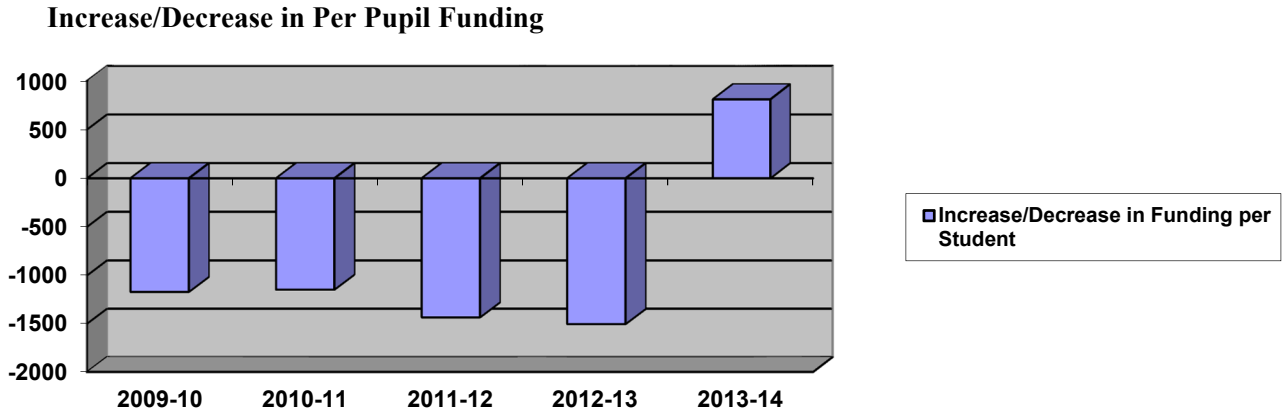
	<u>Estimated June 2014</u>	<u>Actual 2014</u>	<u>Percentage Variance</u>
Revenues			
LCFF	\$ 116,201,551	\$ 115,674,316	
Federal Revenues	8,106,459	7,206,647	
State Revenues	19,552,195	19,306,764	
Local Revenues	<u>5,772,629</u>	<u>5,507,040</u>	
Total Revenues	149,632,834	147,694,767	-1.3%
Expenditures			
Salaries & Benefits	126,321,744	125,034,919	
Books & Supplies	7,524,523	8,660,841	
Services & Other Operating	16,488,376	14,443,239	
Capital Outlay/Other Outgo	<u>4,858,810</u>	<u>4,838,623</u>	
Total Expenditures	155,193,453	152,977,622	-1.4%

Total budgeted revenues were \$1,938,067 higher than actual revenues received. Total expenditures were \$2,215,831 less than budgeted due to close management of expenditures by the District, lower than expected expenses for summer projects, and lower categorical and department expenses which resulted in higher than anticipated carryovers.

Financial Issues

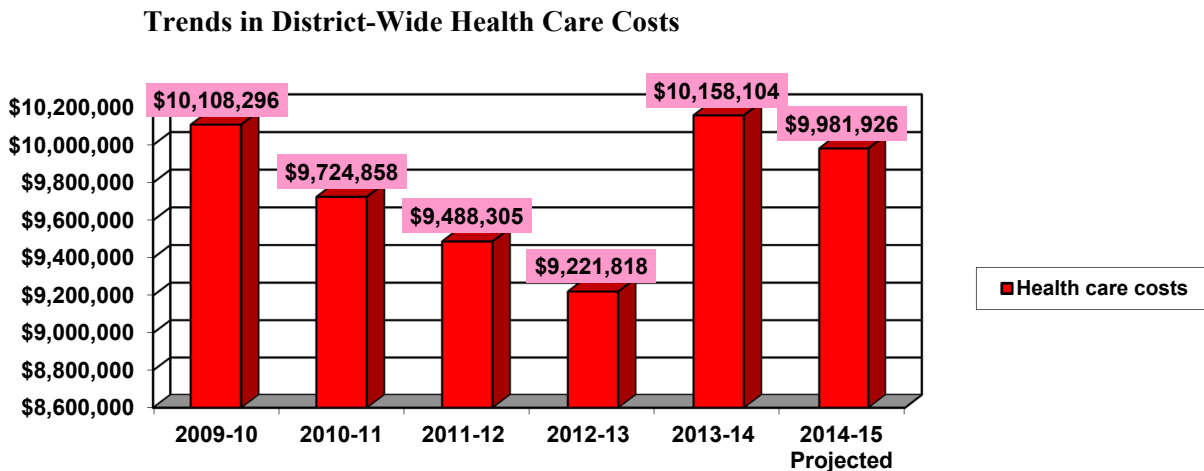
Per Pupil Funding

Since 2008-09, the State of California had been experiencing a severe economic down-turn causing concern for future funding sources. With the passage of Proposition 30 by the voters in November 2012, the State did not impose mid-year reductions, and school districts were flat-funded for 2012-13. Beginning in 2013-14, the State has eliminated revenue limits and most State categorical funding with a new LCFF funding model. During the phase-in period over the next eight (8) years, per pupil funding is expected to increase until the new target levels are reached. The table below shows a five year trend in State school funding.



Health Care Cost Trends

District-Wide Health Care costs trend had been decreasing over the past few years with cuts and layoffs of employees. However, now as we open new programs and increase services to students the trend will be more in line with the 5% annual increase that we saw in the past. The graph below shows the trends:



Categorical Funding

As school revenues increased during the boom times of the late 1990's, the funds came to schools with strings attached. As we moved into constrained economic times, we found these constraints made it difficult to maintain our basic programs. Since 2008-09, the State had given broad flexibility in many categorical programs to help schools manage reductions as a result of the economic downturn. Beginning in 2013-14 most of the State categorical programs previously included in the flexibility provisions, Tier III have been shifted to the new LCFF funding formula.

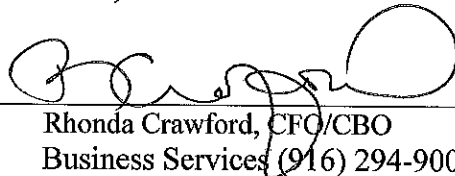
As State revenue growth fluctuates, LCFF is implemented, LCAPP is developed, health care costs rise, the Affordable Care Act is implemented, Common Core Standards are implemented, and ongoing expenditures take a larger share of state revenue, District management must vigorously pursue three major courses of action:

1. Develop a balanced approach to plan for the long term rather than the short term.
2. Continue to work with the Education Coalition to increase funding to School Districts to at least the national average.
3. Evaluate how well we are doing in achieving equitable allocations of resources and improving outcomes for all students.

Contacting the District's Financial Management

If you have questions regarding this report or need additional financial information, contact Kristi Blandford, Director of Fiscal Services, (916) 294-9000, ext. 104310.

Approved by: _____



Rhonda Crawford, CFO/CBO
Business Services (916) 294-9000, ext. 104200

BASIC FINANCIAL STATEMENTS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 69,986,645	\$ 1,860,494	\$ 71,847,139
Receivables	15,925,546	1,090	15,926,636
Prepaid expenses	-	2,177	2,177
Stores inventory	29,593	-	29,593
Non-depreciable capital assets (Note 4)	63,260,494	-	63,260,494
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>378,643,951</u>	<u>-</u>	<u>378,643,951</u>
Total assets	<u>527,846,229</u>	<u>1,863,761</u>	<u>529,709,990</u>
DEFERRED OUTFLOWS			
Deferred loss from refunding of debt	<u>1,484,354</u>	<u>-</u>	<u>1,484,354</u>
LIABILITIES			
Accounts payable	4,427,426	34,435	4,461,861
Unearned revenue	1,884,335	-	1,884,335
Due (to) from other funds (Note 3)	344,164	255,836	600,000
Long-term liabilities (Note 5):			
Due within one year	13,905,587	-	13,905,587
Due after one year	<u>264,436,400</u>	<u>-</u>	<u>264,436,400</u>
Total liabilities	<u>284,997,912</u>	<u>290,271</u>	<u>285,288,183</u>
NET POSITION			
Net investment in capital assets	215,401,836	-	215,401,836
Restricted (Note 6)	37,566,205	1,573,490	39,139,695
Unrestricted	<u>(8,635,370)</u>	<u>-</u>	<u>(8,635,370)</u>
Total net position	<u>\$ 244,332,671</u>	<u>\$ 1,573,490</u>	<u>\$ 245,906,161</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
Instruction	\$ 109,448,353	\$ 5,512	\$ 15,963,183	\$ 12,180	\$ (93,467,478)	\$ -	\$ (93,467,478)
Instruction-related services:							
Supervision of instruction	5,120,714	965	3,367,046	-	(1,752,703)	-	(1,752,703)
Instructional library, media and technology	553,327	135	1,635	-	(551,557)	-	(551,557)
School site administration	11,497,123	-	258,912	-	(11,238,211)	-	(11,238,211)
Pupil services:							
Home-to-school transportation	3,475,670	-	1,241	-	(3,474,429)	-	(3,474,429)
Food services	5,453,503	1,410,066	3,729,551	-	(313,886)	-	(313,886)
All other pupil services	7,329,177	1,771	2,899,701	-	(4,427,705)	-	(4,427,705)
General administration:							
Data processing	2,375,992	-	-	-	(2,375,992)	-	(2,375,992)
All other general administration	7,547,454	75,284	1,584,761	-	(5,887,409)	-	(5,887,409)
Plant services	15,419,266	308	368,581	-	(15,050,377)	-	(15,050,377)
Ancillary services	2,993,867	2,088	771,961	-	(2,219,818)	-	(2,219,818)
Enterprise activities	14,889	-	-	-	(14,889)	-	(14,889)
Interest on long-term liabilities	11,850,485	-	-	-	(11,850,485)	-	(11,850,485)
Other outgo	1,358,463	46,117	637,114	-	(675,232)	-	(675,232)
Business-type activities:							
Enterprise activities	<u>2,007,162</u>	<u>2,943,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>936,391</u>	<u>936,391</u>
Total governmental and business-type activities	<u>\$ 186,445,445</u>	<u>\$ 4,485,799</u>	<u>\$ 29,583,686</u>	<u>\$ 12,180</u>	<u>(153,300,171)</u>	<u>936,391</u>	<u>(152,363,780)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					40,544,725	-	40,544,725
Taxes levied for debt service					15,383,181	-	15,383,181
Taxes levied for other specific purposes					677,755	-	677,755
Federal and state aid not restricted to specific purposes					79,647,903	-	79,647,903
Interest and investment earnings					2,377	1,090	3,467
Interagency revenues					315,267	-	315,267
Miscellaneous					11,631,380	-	11,631,380
Special and extraordinary items					(1,172,334)	-	(1,172,334)
Internal transfers					464,508	(464,508)	-
Total general revenues					<u>147,494,762</u>	<u>(463,418)</u>	<u>147,031,344</u>
Change in net position					(5,805,409)	472,973	(5,332,436)
Net position, July 1, 2013,					<u>250,138,080</u>	<u>1,100,517</u>	<u>251,238,597</u>
Net position, June 30, 2014					<u>\$ 244,332,671</u>	<u>\$ 1,573,490</u>	<u>\$ 245,906,161</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 16,160,932	\$ 2,733,983	\$ 15,885,873	\$ 10,379,482	\$ 45,160,270
Cash on hand and in banks	430,638	-	-	165,301	595,939
Cash in revolving fund	75,000	-	-	10,000	85,000
Cash with Fiscal Agent	-	23,398,645	746,791	-	24,145,436
Receivables	15,088,078	3,806	8,859	824,803	15,925,546
Due from other funds	216,932	83,304	-	1,465,021	1,765,257
Stores inventory	-	-	-	29,593	29,593
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 31,971,580</u>	<u>\$ 26,219,738</u>	<u>\$ 16,641,523</u>	<u>\$ 12,874,200</u>	<u>\$ 87,707,041</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,361,259	\$ 909,793	\$ -	\$ 219,697	\$ 3,490,749
Unearned revenue	87,722	-	1,786,518	10,095	1,884,335
Due to other funds	<u>1,576,438</u>	<u>83,304</u>	<u>-</u>	<u>449,679</u>	<u>2,109,421</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,025,419</u>	<u>993,097</u>	<u>1,786,518</u>	<u>679,471</u>	<u>7,484,505</u>
Fund balances:					
Nonspendable	75,000	-	-	39,593	114,593
Restricted	8,688,475	25,226,641	14,855,005	12,155,136	60,925,257
Assigned	13,961,159	-	-	-	13,961,159
Unassigned	<u>5,221,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,221,527</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>27,946,161</u>	<u>25,226,641</u>	<u>14,855,005</u>	<u>12,194,729</u>	<u>80,222,536</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 31,971,580</u>	<u>\$ 26,219,738</u>	<u>\$ 16,641,523</u>	<u>\$ 12,874,200</u>	<u>\$ 87,707,041</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

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

June 30, 2014

Total fund balances - Governmental Funds		\$ 80,222,536
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 \$617,558,134 and the accumulated depreciation is \$175,653,689 (Note 4).		441,904,445
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, 2014 consisted of (Note 5):		
Certificates of Participation	\$ (21,517,349)	
General Obligation Bonds	(187,920,596)	
Unamortized premium	(4,872,852)	
Accreted interest	(36,738,665)	
Capital lease	(336,146)	
Other postemployment benefits (Note 8)	(26,126,098)	
Compensated absences	<u>(830,281)</u>	
		(278,341,987)
Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt.		1,484,354
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.		<u>(936,677)</u>
Total net position - governmental activities		<u>\$ 244,332,671</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 76,393,321	\$ -	\$ -	\$ 516,471	\$ 76,909,792
Local sources	<u>39,280,995</u>	<u>-</u>	<u>-</u>	<u>1,259,258</u>	<u>40,540,253</u>
Total LCFF	<u>115,674,316</u>	<u>-</u>	<u>-</u>	<u>1,775,729</u>	<u>117,450,045</u>
Federal sources	7,206,647	-	-	3,796,376	11,003,023
Other state sources	19,306,764	-	141,882	1,327,593	20,776,239
Other local sources	<u>5,507,040</u>	<u>53,317</u>	<u>15,757,462</u>	<u>8,793,573</u>	<u>30,111,392</u>
Total revenues	<u>147,694,767</u>	<u>53,317</u>	<u>15,899,344</u>	<u>15,693,271</u>	<u>179,340,699</u>
Expenditures:					
Certificated salaries	74,984,184	-	-	953,811	75,937,995
Classified salaries	26,049,663	259	-	3,331,665	29,381,587
Employee benefits	24,001,072	27	-	1,201,441	25,202,540
Books and supplies	8,660,841	1,103	-	2,959,168	11,621,112
Contract services and operating expenditures	14,443,239	607,011	-	902,344	15,952,594
Capital outlay	2,447,298	4,011,706	-	2,103,503	8,562,507
Other outgo	176,118	-	-	-	176,118
Debt service:					
Principal retirement	2,179,620	-	6,765,078	2,614,542	11,559,240
Interest	<u>35,587</u>	<u>1,641,239</u>	<u>6,068,655</u>	<u>975,183</u>	<u>8,720,664</u>
Total expenditures	<u>152,977,622</u>	<u>6,261,345</u>	<u>12,833,733</u>	<u>15,041,657</u>	<u>187,114,357</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,282,855)</u>	<u>(6,208,028)</u>	<u>3,065,611</u>	<u>651,614</u>	<u>(7,773,658)</u>
Other financing sources (uses):					
Operating transfers in	477,689	60,000	-	1,307,730	1,845,419
Operating transfers out	(1,572,589)	-	-	(408,322)	(1,980,911)
Proceeds from issuance of debt	-	25,000,000	-	-	25,000,000
Proceeds from issuance of refunding bonds	-	38,535,000	-	-	38,535,000
Refundings of general obligation bonds	-	(40,725,000)	-	-	(40,725,000)
Proceeds from capital leases	-	267,223	-	-	267,223
Other financing sources	<u>-</u>	<u>4,041,361</u>	<u>-</u>	<u>-</u>	<u>4,041,361</u>
Total other financing sources (uses)	<u>(1,094,900)</u>	<u>27,178,584</u>	<u>-</u>	<u>899,408</u>	<u>26,983,092</u>
Net change in fund balances	(6,377,755)	20,970,556	3,065,611	1,551,022	19,209,434
Fund balances, July 1, 2013	<u>34,323,916</u>	<u>4,256,085</u>	<u>11,789,394</u>	<u>10,643,707</u>	<u>61,013,102</u>
Fund balances, June 30, 2014	<u>\$ 27,946,161</u>	<u>\$ 25,226,641</u>	<u>\$ 14,855,005</u>	<u>\$ 12,194,729</u>	<u>\$ 80,222,536</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

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

For the Year Ended June 30, 2014

Net change in fund balances - Total Governmental Funds		\$ 19,209,434
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).	\$ 8,666,608	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(12,652,221)	
Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt.	1,484,354	
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 5).	52,284,240	
Debt proceeds are recognized as other financing sources in the governmental funds, but are recognized as an increase to liabilities in the statement of net position (Note 5).	(63,802,223)	
Debt issue premiums are recognized as revenues in the period they are incurred. In government-wide statements, issue premiums are amortized over the life of the debt (Note 5).	(4,872,852)	
Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(4,946,742)	
Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net position (Notes 5 and 8).	(1,196,144)	
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.	(8,278)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	28,415	(25,014,843)
Change in net position of governmental activities		\$ (5,805,409)

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
STUDENT CARE CENTER FUND

June 30, 2014

ASSETS

Current assets:	
Cash in County Treasury	\$ 1,778,121
Cash in banks	82,373
Receivables	1,090
Prepaid expenditures	<u>2,177</u>
Total current assets	<u>1,863,761</u>

LIABILITIES

Current liabilities:	
Accounts payable	34,435
Due to other funds	<u>255,836</u>
Total current liabilities	<u>290,271</u>

NET POSITION

Net position - restricted	<u><u>\$ 1,573,490</u></u>
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See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN NET POSITION -
PROPRIETARY FUND

STUDENT CARE CENTER FUND

For the Year Ended June 30, 2014

Operating revenues:	
Children Center fees	\$ 2,949,499
Other local revenues	<u>(5,946)</u>
Total operating revenues	<u>2,943,553</u>
Operating expenses:	
Certificated salaries	125,665
Classified salaries	1,226,998
Employee benefits	369,916
Books and supplies	145,018
Contract services and operating expenses	<u>139,567</u>
Total operating expenses	<u>2,007,164</u>
Operating income	936,389
Non-operating income (expense):	
Interest income	1,092
Transfers to other funds	<u>(464,508)</u>
Total non-operating income (expense)	<u>(463,416)</u>
Change in net position	472,973
Net position, July 1, 2013	<u>1,100,517</u>
Net position, June 30, 2014	<u>\$ 1,573,490</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
STUDENT CARE CENTER FUND
For the Year Ended June 30, 2014

Cash flows from operating activities:	
Cash received for children center fees	\$ 2,944,009
Cash paid for employee benefits and operating expenses	<u>(1,807,633)</u>
Net cash provided by operating activities	<u>1,136,376</u>
Cash flows used in noncapital financing activities:	
Transfer to other funds	(464,508)
Cash flows provided by investing activities:	
Interest income	<u>1,092</u>
Change in cash and investments	672,960
Cash and investments, July 1, 2013	<u>1,187,534</u>
Cash and investments, June 30, 2014	<u><u>\$ 1,860,494</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 936,389</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	456
Amounts due from other funds	1,155
Accounts payable	10,867
Amounts due to other funds	<u>187,509</u>
Total adjustments	<u>199,987</u>
Net cash provided by operating activities	<u><u>\$ 1,136,376</u></u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

TRUST AND AGENCY FUNDS

June 30, 2014

	<u>Trust Fund</u>	<u>Agency Funds</u>	
	<u>Retiree Benefit</u>	<u>Deferred Compen- sation</u>	<u>Student Body</u>
ASSETS			
Cash and investments (Note 2):			
Cash in County Treasury	\$ 6,057,193	\$ -	\$ -
Cash on hand and in banks	-	-	1,208,933
Deferred compensation	-	830,282	-
Receivables	5,451	-	-
Due from other funds	<u>600,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>6,662,644</u>	<u>830,282</u>	<u>1,208,933</u>
LIABILITIES			
Accounts payable	12,294	-	-
Deferred compensation	-	830,282	-
Due to student groups	<u>-</u>	<u>-</u>	<u>1,208,933</u>
Total liabilities	<u>12,294</u>	<u>830,282</u>	<u>1,208,933</u>
NET POSITION			
Net position held in trust for retiree benefits - restricted (Note 6)	<u>\$ 6,650,350</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN
FIDUCIARY NET POSITION

TRUST FUND

For the Year Ended June 30, 2014

	<u>Retiree Benefit</u>
Additions:	
Employer contributions	\$ 977,036
Interest	<u>5,451</u>
Total additions	<u>982,487</u>
Deductions:	
Benefit expense paid to retirees	<u>770,022</u>
Other financing sources:	
Operating transfers in	<u>600,000</u>
Change in net assets	812,465
Net position held in trust for retiree benefits, July 1, 2013	<u>5,837,885</u>
Net position held in trust for retiree benefits, June 30, 2014	<u><u>\$ 6,650,350</u></u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Folsom Cordova 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.

Basis of Presentation - Financial Statements

The financial statements include a Management 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 display 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.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

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

Basis of Presentation - Fund Accounting

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

A - Major Funds

1 - General Fund:

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

2 - Building Fund:

The Building Fund is used to account for resources used for the acquisition or construction of major capital facilities and equipment.

3 - Bond Interest and Redemption Fund:

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other 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 includes the Charter School, Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Capital Facilities, County School Facilities and Special Reserve for Capital Projects Funds.

The Student Care Center is an enterprise fund which accounts for child care services that are financed and operated in a manner similar to a private business enterprise with the objective of providing child care services on a continuing basis with costs partially financed or recovered through user charges.

The Retiree Benefits Fund is a fiduciary fund used to account for activity related to retiree benefits.

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This consists of the Deferred Compensation and the Student Body Funds.

Basis of Accounting

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

A - Accrual

Both governmental and business-type 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.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

B - 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 for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

Stores Inventory

Stores inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled \$156,885.

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

Compensated Absences

Compensated absences totaling \$830,281 are recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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 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.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the District. Tax revenues are recognized by the District when received.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Investment in Capital Assets

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

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the amount the District plans to expend for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for special revenue represents the amount the District plans to expend for special revenue activities. The restriction for student care center represents the portion of net position available for the student center activities. The restriction for retiree benefits represents the portion of net position available for retiree benefits. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

Fund Balance Classifications

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

C - Committed Fund Balance:

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

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2014, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

Fund Balance Policy

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

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Relationships

The balance sheet for agency funds represents the assets, liabilities and trust accounts of various student organizations and scholarship funds within the District. As the funds are custodial in nature, no measurement of operating results is involved. The District's deferred compensation investment and liability is also recorded in the Agency Fund.

Deferred Compensation

The District has established a voluntary deferred compensation plan for its employees. The agreements provide for periodic payroll deductions from the participating employees. An amount equal to the reduction in compensation is invested by the District and is available to meet the general obligations of the District. The employee has no preferential right, title or claim to the assets of the Plan, except as a general creditor of the District. The principal portion of the account is invested with a credit union. The investment is recorded in the Agency Fund at cost plus accumulated interest, which approximates market value.

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. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities 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.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

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

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 45,160,270	\$ 1,778,121	\$ 6,057,193
Deposits:			
Cash on hand and in banks	595,939	82,373	1,208,933
Cash in revolving fund	85,000	-	-
Investments:			
Cash with Fiscal Agent	24,145,436	-	-
Deferred compensation	-	-	830,282
Total	<u>\$ 69,986,645</u>	<u>\$ 1,860,494</u>	<u>\$ 8,096,408</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

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

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

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the Sacramento County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts were \$1,972,245, and the bank balances were \$2,382,501, of which \$475,014 was insured.

Investments

Investments at June 30, 2014 consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash with Fiscal Agent	\$ 24,145,436	\$ 24,145,436
Deferred compensation	<u>830,282</u>	<u>830,282</u>
	<u>\$ 24,975,718</u>	<u>\$ 24,975,718</u>

Cash with Fiscal Agent represents proceeds from issuance of long-term liabilities held by the Sacramento County Treasurer, to be used for the construction of facilities.

Deferred compensation represents the cash balance of the Deferred Compensation Fund held in trust by the District in savings accounts with a credit union, with individual employee accounts insured by the National Credit Union Association.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. 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 fund interfund receivable and payable balances at June 30, 2014 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 216,932	\$ 1,576,438
Building	83,304	83,304
Non-Major Governmental Funds:		
Charter School	5,921	202
Adult Education	15,000	431
Child Development	3,872	53,436
Cafeteria	29,741	143,956
Capital Facilities	736,379	251,654
Special Reserve for Capital Projects	674,108	-
Proprietary Fund:		
Student Care Center	-	255,836
Fiduciary Fund:		
Retiree Benefit Trust Fund	<u>600,000</u>	<u>-</u>
Totals	<u>\$ 2,365,257</u>	<u>\$ 2,365,257</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

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

Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of deferred maintenance funding.	\$ 650,000
Transfer from the General Fund to the Retiree Benefit Fund for OPEB Contributions to retirees.	600,000
Transfer from the Student Care Fund to the Capital Facilities Fund for the purchase of portable classrooms.	321,229
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	282,405
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for the cell tower repayment.	200,000
Transfer from the Student Care Fund to the General Fund for indirect costs.	141,547
Transfer from the General Fund to the Adult Education Fund for direct and indirect support costs.	122,589
Transfer from the Deferred Maintenance Fund to the Building Fund for contributions to projects.	60,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	53,737
Transfer from the County Schools Facilities Fund to the Capital Facilities Fund for previous project funds received.	12,180
Transfer from the Student Care Fund to the Child Development Fund to repay loan.	<u>1,732</u>
	<u>\$ 2,445,419</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

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

	Balance July 1, <u>2013</u>	<u>Additions</u>	Deductions and <u>Transfers</u>	Balance June 30, <u>2014</u>
Non-depreciable:				
Land	\$ 49,116,097	\$ -	\$ -	\$ 49,116,097
Work-in-process	14,970,568	3,886,380	(4,712,551)	14,144,397
Depreciable:				
Improvement of sites	27,331,840	1,566,687	513,420	29,411,947
Buildings	483,495,744	2,203,041	3,698,566	489,397,351
Equipment	<u>33,977,277</u>	<u>1,010,500</u>	<u>500,565</u>	<u>35,488,342</u>
Totals, at cost	<u>608,891,526</u>	<u>8,666,608</u>	<u>-</u>	<u>617,558,134</u>
Less accumulated depreciation:				
Improvement of sites	(20,030,265)	(1,644,955)	-	(21,675,220)
Buildings	(134,067,352)	(10,831,978)	-	(144,899,330)
Equipment	<u>(8,903,851)</u>	<u>(175,288)</u>	<u>-</u>	<u>(9,079,139)</u>
Total accumulated depreciation	<u>(163,001,468)</u>	<u>(12,652,221)</u>	<u>-</u>	<u>(175,653,689)</u>
Governmental activities capital assets, net	<u>\$ 445,890,058</u>	<u>\$ (3,985,613)</u>	<u>\$ -</u>	<u>\$ 441,904,445</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,845,039
Supervision of instruction	142,138
Instructional library, media and technology	1,647
School site administration	3,663
Home-to-school transportation	14,756
Food services	23,937
All other pupil services	36,089
Ancillary services	1,297
Enterprise activities	28,171
All other general administration	262,951
Data processing	255,014
Plant services	<u>37,519</u>
Total depreciation expense	<u>\$ 12,652,221</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES

Certificates of Participation

In June 1998, the District issued \$15,245,000 in Certificates of Participation. The proceeds from the 1998 Certificates of Participation were to be used to provide financing for the construction of new school facilities and refunded the 1991 Certificates of Participation. The 1998 Certificates of Participation mature through March 2024, and have interest rates ranging from 4.00% to 5.35%.

In January 2007, the District issued \$35,860,000 in Certificates of Participation to finance the construction of Russell Ranch Elementary School and complete the construction of Vista Del Lago High School. The 2007 Certificates of Participation mature through April 2021, and have interest rates ranging from 3.50% to 4.20%.

The following is a schedule of the future payments for the Certificates of Participation:

Year Ending <u>June 30,</u>	<u>Payments</u>
2015	\$ 3,557,939
2016	3,554,695
2017	3,563,879
2018	3,555,133
2019	3,553,695
2020-2024	<u>7,532,392</u>
	25,317,733
Less amount representing interest	<u>(3,800,384)</u>
	<u>\$ 21,517,349</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

In April 1998, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$10,396,455, maturing through October 2022, with interest rates from 4.30% to 5.35%.

The annual payments required to amortize the 1998 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 386,073	\$ 503,927	\$ 890,000
2016	374,052	540,948	915,000
2017	363,098	571,902	935,000
2018	350,813	609,187	960,000
2019	341,775	643,225	985,000
2020-2023	<u>1,256,077</u>	<u>2,933,923</u>	<u>4,190,000</u>
	<u>\$ 3,071,888</u>	<u>\$ 5,803,112</u>	<u>\$ 8,875,000</u>

In July 2002, the District issued current interest and capital appreciation General Obligation Bonds, in an aggregate principal amount of \$54,992,172, maturing through July 2027, with interest rates from 3.00% to 5.73%. With the issuance of the 2014 General Obligation Refunding Bonds in January 2014, \$40,725,000 of the 2002 General Obligation Bonds were refunded.

The annual payments required to amortize the 2002 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 563,794	\$ 661,206	\$ 1,225,000
2019	1,743,791	2,326,209	4,070,000
2020-2024	7,674,006	14,140,994	21,815,000
2025-2028	<u>5,120,581</u>	<u>14,234,419</u>	<u>19,355,000</u>
	<u>\$ 15,102,172</u>	<u>\$ 31,362,828</u>	<u>\$ 46,465,000</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Although the advance refundings resulted in the recognition of an accounting loss of \$1,461,239 for the year ended June 30, 2014, the District in effect reduced its aggregate debt service payments by \$4,674,029 over the next 15 years and obtained an economic gain of \$4,136,066.

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 53,330,189
New debt service cash flows	<u>48,656,160</u>
 Cash flow difference	 <u>\$ 4,674,029</u>
 Present value of old debt service cash flows	 \$ 47,224,089
Present value of new debt service cash flows	<u>43,088,023</u>
 Economic gain	 <u>\$ 4,136,066</u>

In December 2004, the District issued current interest and capital appreciation General Obligation Bonds, in an aggregate principal amount of \$46,998,849, maturing through October 2029, with interest rates from 2.50% to 5.56%.

The annual payments required to amortize the 2004 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,770,000	\$ 61,950	\$ 1,831,950
2020-2024	1,006,762	2,787,489	3,794,251
2025-2029	4,438,627	9,841,373	14,280,000
2030	<u>788,461</u>	<u>2,286,539</u>	<u>3,075,000</u>
	<u>\$ 8,003,850</u>	<u>\$ 14,977,351</u>	<u>\$ 22,981,201</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In October 2007, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$64,993,835 maturing through October 2032, with interest rates from 4% to 5%.

The annual payments required to amortize the 2007 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,065,000	\$ 1,088,125	\$ 3,153,125
2016	2,400,000	984,875	3,384,875
2017	2,680,000	864,875	3,544,875
2018	3,150,000	740,100	3,890,100
2019	3,010,870	1,226,730	4,237,600
2020-2024	18,227,324	8,592,776	26,820,100
2025-2029	14,498,523	20,021,477	34,520,000
2030-2033	<u>10,567,117</u>	<u>21,012,883</u>	<u>31,580,000</u>
	<u>\$ 56,598,834</u>	<u>\$ 54,531,841</u>	<u>\$111,130,675</u>

In October 2009, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$44,138,852 maturing through October 2035, with interest rates from 2.00% to 6.50%.

The annual payments required to amortize the 2009 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 126,875	\$ 2,472,273	\$ 2,599,148
2016	125,000	2,495,624	2,620,624
2017	177,196	2,534,453	2,711,649
2018	155,000	2,546,449	2,701,449
2019	287,862	2,627,187	2,915,049
2020-2024	6,004,882	14,939,398	20,944,280
2025-2029	11,179,339	26,236,357	37,415,696
2030-2034	19,944,562	53,468,227	73,412,789
2035-2036	<u>3,608,136</u>	<u>14,108,591</u>	<u>17,716,727</u>
	<u>\$ 41,608,852</u>	<u>\$121,428,559</u>	<u>\$163,037,411</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In January 2014, the District issued 2012 General Obligation Bonds, Series A in an aggregate principal amount of \$25,000,000 maturing through October 2038, with interest rates from 4.00% to 5.00%.

The annual payments required to amortize the 2012 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,415,000	\$ 1,138,400	\$ 3,553,400
2016	1,705,000	1,056,000	2,761,000
2017	-	1,021,900	1,021,900
2018	-	1,021,900	1,021,900
2019	-	1,021,900	1,021,900
2020-2024	-	5,109,500	5,109,500
2025-2029	3,615,000	4,707,625	8,322,625
2030-2034	6,530,000	3,545,800	10,075,800
2035-2039	<u>10,735,000</u>	<u>1,441,875</u>	<u>12,176,875</u>
	<u>\$ 25,000,000</u>	<u>\$ 20,064,900</u>	<u>\$ 45,064,900</u>

In January 2014, the District issued 2014 General Obligation Refunding Bonds to refund a portion of the 2002 General Obligation Bonds, Series A and Series B and pay the costs of issuance. The Refunding Bonds of \$38,535,000 mature through October 2029, with interest rates from 2.75% to 5.00%.

The annual payments required to amortize the 2014 General Obligation Refunding Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,020,000	\$ 1,575,013	\$ 5,595,013
2016	4,840,000	1,407,288	6,247,288
2017	5,190,000	1,236,388	6,426,388
2018	4,365,000	1,051,913	5,416,913
2019	2,205,000	891,663	3,096,663
2020-2024	11,555,000	2,718,856	14,273,856
2025-2029	5,100,000	988,750	6,088,750
2030	<u>1,260,000</u>	<u>31,500</u>	<u>1,291,500</u>
	<u>\$ 38,535,000</u>	<u>\$ 9,901,371</u>	<u>\$ 48,436,371</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Capital Lease

The District has entered into capital lease agreements for the acquisition of school busses and electronic equipment totaling \$3,602,547. At June 30, 2014, the accumulated depreciation related to these assets totaled \$1,769,375. The following is a schedule of the future payments for the capital lease:

Year Ending <u>June 30,</u>	<u>Payments</u>
2015	\$ 103,432
2016	103,432
2017	103,432
2018	59,736
2019	<u>2,936</u>
	372,968
Less amount representing interest	<u>(36,822)</u>
	<u>\$ 336,146</u>

Schedule of Changes in Long-Term Liabilities

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Certificates of Participation	\$ 24,102,349	\$ -	\$ 2,585,000	\$ 21,517,349	\$ 2,685,000
General Obligation Bonds	171,875,674	63,535,000	47,490,078	187,920,596	10,782,948
Unamortized premium	-	5,213,696	340,844	4,872,852	349,543
Accreted interest on General Obligation Bonds	31,791,923	4,946,742	-	36,738,665	-
Capital lease	2,278,085	267,223	2,209,162	336,146	88,096
Other postemployment benefits (Note 8)	24,929,954	1,966,166	770,022	26,126,098	-
Compensated absences	<u>858,696</u>	<u>-</u>	<u>28,415</u>	<u>830,281</u>	<u>-</u>
Totals	<u>\$ 255,836,681</u>	<u>\$ 75,928,827</u>	<u>\$ 53,423,521</u>	<u>\$ 278,341,987</u>	<u>\$ 13,905,587</u>

Payments on the Certificates of Participation are made from the Capital Facilities Fund, the Child Development Fund, and the Cafeteria Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the capital lease are made from the General Fund and the Special Reserve for Capital Outlay Projects Fund. Payments on the other postemployment benefits and compensated absences are made from the Fund for which the related employee worked.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. NET POSITION / FUND BALANCES

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

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues	\$ 8,688,475
Restricted for special revenues	4,758,589
Restricted for capital projects	9,264,136
Restricted for debt service	<u>14,855,005</u>
	<u>\$ 37,566,205</u>
	<u>Business-Type Activities</u>
Restricted for student care center	<u>\$ 1,573,490</u>
	<u>Fiduciary Activities</u>
Restricted for retiree benefits	<u>6,650,350</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. NET POSITION / FUND BALANCES (Continued)

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 75,000	\$ -	\$ -	\$ 10,000	\$ 85,000
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,593</u>	<u>29,593</u>
Subtotal nonspendable	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>39,593</u>	<u>114,593</u>
Restricted:					
Unspent categorical revenues	8,688,475	-	-	-	8,688,475
Special revenue	-	-	-	4,718,996	4,718,996
Capital projects	-	25,226,641	-	7,436,140	32,662,781
Debt service	<u>-</u>	<u>-</u>	<u>14,855,005</u>	<u>-</u>	<u>14,855,005</u>
Subtotal restricted	<u>8,688,475</u>	<u>25,226,641</u>	<u>14,855,005</u>	<u>12,155,136</u>	<u>60,925,257</u>
Assigned:					
Common Core/ textbook adoption	4,205,112	-	-	-	4,205,112
Mandated cost reimbursements	348,696	-	-	-	348,696
School site carryovers	3,526,888	-	-	-	3,526,888
Additional 2014/15 sweep	1,271,426	-	-	-	1,271,426
Categorical 2014/15 sweep	2,455,584	-	-	-	2,455,584
Set-aside for structural deficit	1,514,969	-	-	-	1,514,969
Projected local carryover	500,000	-	-	-	500,000
Local grant carryover	<u>138,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,484</u>
Subtotal assigned	<u>13,961,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,961,159</u>
Unassigned:					
Designated for economic uncertainty	4,770,000	-	-	-	4,770,000
Undesignated	<u>451,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,527</u>
Subtotal unassigned	<u>5,221,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,221,527</u>
Total fund balances	<u>\$ 27,946,161</u>	<u>\$ 25,226,641</u>	<u>\$ 14,855,005</u>	<u>\$ 12,194,729</u>	<u>\$ 80,222,536</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$2,662,515, \$2,809,787 and \$2,950,992, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$5,732,312, \$5,653,642 and \$6,292,532, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the District provides post-employment healthcare benefits to employees who retire from the District after attaining the following:

Management:

Management and supervisory employees reaching retirement age of CalPERS or STRS and employed by the District for 10 years of full-time service, are eligible for medical coverage for a maximum of 13 years of benefits or age 68, whichever comes first. A maximum monthly benefit does not exceed \$475 per month for personnel before the age of 65, and \$175 per month for ages 65 to 68.

Certificated:

Certificated employees reaching retirement age of STRS and placement on the Certificated Salary Schedule Class 4 or 5, Step 12, are eligible for medical coverage for a maximum of 10 years of benefits or age 65, whichever comes first. A maximum monthly benefit does not exceed \$475 per month.

Classified:

Classified employees reaching retirement age of PERS and 10 years of full-time service with the District, are eligible for medical coverage for a maximum of 10 years of benefits or age 65, whichever comes first. A maximum monthly benefit does not exceed \$500 per month.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The District elected to recognize past service costs in first year of implementation. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,648,344
Interest on net OPEB obligation	997,198
Adjustment to annual required contribution	<u>(679,376)</u>
Annual OPEB cost (expense)	1,966,166
Contributions made	<u>770,022</u>
Increase in net OPEB obligation	1,196,144
Net OPEB obligation - beginning of year	<u>24,929,954</u>
Net OPEB obligation - end of year	<u><u>\$ 26,126,098</u></u>

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

Fiscal Year <u>Ended</u>	Annual OPEB Cost <u>(Expense)</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2012	\$ 2,030,908	32%	\$ 27,982,309
June 30, 2013	\$ (2,357,204)	-29.5%	\$ 24,929,954
June 30, 2014	\$ 1,966,166	25.7%	\$ 26,126,098

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$23,115,538, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,115,538. The covered payroll (annual payroll of active employees covered by the Plan) was \$99.8 million, and the ratio of the UAAL to the covered payroll was 23.1 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 7.3 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 7 years. Both rates included a 1.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The District's obligation was fully amortized as of June 30, 2010.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AGREEMENTS

The District is a member with other school districts in two Joint Powers Authorities, Schools Excess Liability Fund (SELF) and Schools Insurance Authority (SIA) (Deductible Fund, only). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The following is a summary of condensed financial information of SELF and SIA as of June 30, 2014:

	<u>SELF</u>	<u>SIA</u>
Total assets	\$ 111,695,000	\$ 113,740,483
Total liabilities	\$ 103,004,000	\$ 48,361,972
Net position	\$ 8,691,000	\$ 65,378,511
Total revenue	\$ 10,704,000	\$ 41,969,923
Total expenses	\$ 9,323,000	\$ 39,001,607

The relationship between Folsom Cordova Unified School District and each Joint Powers Authority is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

10. CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 62,070,830	\$ 77,284,968	\$ 76,393,321	\$ (891,647)
Local sources	<u>38,076,452</u>	<u>38,303,376</u>	<u>39,280,995</u>	<u>977,619</u>
Total LCFF	<u>100,147,282</u>	<u>115,588,344</u>	<u>115,674,316</u>	<u>85,972</u>
Federal sources	7,514,089	7,207,605	7,206,647	(958)
Other state sources	29,517,539	18,959,787	19,306,764	346,977
Other local sources	<u>4,631,624</u>	<u>5,815,405</u>	<u>5,507,040</u>	<u>(308,365)</u>
Total revenues	<u>141,810,534</u>	<u>147,571,141</u>	<u>147,694,767</u>	<u>123,626</u>
Expenditures:				
Certificated salaries	70,682,732	75,320,129	74,984,184	335,945
Classified salaries	24,876,610	26,078,946	26,049,663	29,283
Employee benefits	23,159,100	24,222,601	24,001,072	221,529
Books and supplies	5,409,044	7,274,651	8,660,841	(1,386,190)
Contract services and operating expenditures	15,503,777	14,418,258	14,443,239	(24,981)
Capital outlay	157,767	2,255,767	2,447,298	(191,531)
Other outgo	244,369	1,456,586	176,118	1,280,468
Debt service:				
Principal retirement	321,552	2,179,620	2,179,620	-
Interest	<u>90,119</u>	<u>35,587</u>	<u>35,587</u>	<u>-</u>
Total expenditures	<u>140,445,070</u>	<u>153,242,145</u>	<u>152,977,622</u>	<u>264,523</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,365,464</u>	<u>(5,671,004)</u>	<u>(5,282,855)</u>	<u>388,149</u>
Other financing sources (uses):				
Operating transfers in	451,747	155,058	477,689	322,631
Operating transfers out	(1,810,192)	(1,572,589)	(1,572,589)	-
Proceeds from issuance of capital lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,358,445)</u>	<u>(1,417,531)</u>	<u>(1,094,900)</u>	<u>322,631</u>
Net change in fund balance	7,019	(7,088,535)	(6,377,755)	710,780
Fund balance, July 1, 2013	<u>34,323,916</u>	<u>34,323,916</u>	<u>34,323,916</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 34,330,935</u>	<u>\$ 27,235,381</u>	<u>\$ 27,946,161</u>	<u>\$ 710,780</u>

See accompanying notes to required supplementary information.

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

For the Year Ended June 30, 2014

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 1, 2009	\$ -	\$ 23,379,435	\$ 23,379,435	0%	\$105.8 million	22%
July 1, 2010	\$ -	\$ 24,280,260	\$ 24,280,260	0%	\$102.4 million	24%
July 1, 2012	\$ -	\$ 23,115,538	\$ 23,115,538	0%	\$99.8 million	23%

See accompanying notes to required supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. 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. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

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

Fund	<u>Excess Expenditures</u>
General Fund:	
Books and supplies	\$ 1,386,190
Contract services and operating expenditures	\$ 24,981
Capital Outlay	\$ 191,531

B - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2014

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Total</u>
ASSETS									
Cash in County Treasury	\$ 161,955	\$ 942,508	\$ 132,518	\$ 1,508,799	\$ 1,593,615	\$ 1,817,151	\$ -	\$ 4,222,936	\$ 10,379,482
Cash on hand and in banks	-	7,604	(24)	8,448	-	135,840	-	13,433	165,301
Cash in revolving fund	10,000	-	-	-	-	-	-	-	10,000
Receivables	75,656	130,930	5,354	469,222	1,049	137,347	-	5,245	824,803
Due from other funds	5,921	15,000	3,872	29,741	-	736,379	-	674,108	1,465,021
Stores inventory	-	-	-	29,593	-	-	-	-	29,593
Total assets	<u>\$ 253,532</u>	<u>\$ 1,096,042</u>	<u>\$ 141,720</u>	<u>\$ 2,045,803</u>	<u>\$ 1,594,664</u>	<u>\$ 2,826,717</u>	<u>\$ -</u>	<u>\$ 4,915,722</u>	<u>\$ 12,874,200</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 21,180	\$ 12,608	\$ 11,126	\$ 82,543	\$ 37,595	\$ 54,645	\$ -	\$ -	\$ 219,697
Due to other funds	202	431	53,436	143,956	-	251,654	-	-	449,679
Unearned revenue	-	-	10,095	-	-	-	-	-	10,095
Total liabilities	<u>21,382</u>	<u>13,039</u>	<u>74,657</u>	<u>226,499</u>	<u>37,595</u>	<u>306,299</u>	<u>-</u>	<u>-</u>	<u>679,471</u>
Fund balances:									
Nonspendable	10,000	-	-	29,593	-	-	-	-	39,593
Restricted	<u>222,150</u>	<u>1,083,003</u>	<u>67,063</u>	<u>1,789,711</u>	<u>1,557,069</u>	<u>2,520,418</u>	<u>-</u>	<u>4,915,722</u>	<u>12,155,136</u>
Total fund balances	<u>232,150</u>	<u>1,083,003</u>	<u>67,063</u>	<u>1,819,304</u>	<u>1,557,069</u>	<u>2,520,418</u>	<u>-</u>	<u>4,915,722</u>	<u>12,194,729</u>
Total liabilities and fund balances	<u>\$ 253,532</u>	<u>\$ 1,096,042</u>	<u>\$ 141,720</u>	<u>\$ 2,045,803</u>	<u>\$ 1,594,664</u>	<u>\$ 2,826,717</u>	<u>\$ -</u>	<u>\$ 4,915,722</u>	<u>\$ 12,874,200</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2014

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Total</u>
Revenues:									
LCFF:									
State apportionment	\$ 516,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516,471
Local sources	<u>284,066</u>	<u>324,626</u>	<u>-</u>	<u>-</u>	<u>650,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,259,258</u>
Total LCFF	<u>800,537</u>	<u>324,626</u>	<u>-</u>	<u>-</u>	<u>650,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,775,729</u>
Federal sources	-	181,987	48,254	3,566,135	-	-	-	-	3,796,376
Other state sources	94,592	-	936,837	283,984	-	-	12,180	-	1,327,593
Other local sources	<u>4,964</u>	<u>315,250</u>	<u>45,989</u>	<u>1,500,036</u>	<u>1,049</u>	<u>6,136,730</u>	<u>-</u>	<u>789,555</u>	<u>8,793,573</u>
Total revenues	<u>900,093</u>	<u>821,863</u>	<u>1,031,080</u>	<u>5,350,155</u>	<u>651,615</u>	<u>6,136,730</u>	<u>12,180</u>	<u>789,555</u>	<u>15,693,271</u>
Expenditures:									
Certificated salaries	390,801	513,168	49,842	-	-	-	-	-	953,811
Classified salaries	35,552	145,969	587,782	1,966,089	136,644	459,629	-	-	3,331,665
Employee benefits	65,159	128,242	191,717	643,078	30,619	142,626	-	-	1,201,441
Books and supplies	108,440	32,320	86,914	2,633,245	93,276	4,973	-	-	2,959,168
Contract services and operating expenditures	200,495	40,003	50,075	75,945	386,378	148,048	-	1,400	902,344
Capital outlay	-	-	-	-	516,053	498,497	-	1,088,953	2,103,503
Debt service:									
Principal retirement	-	-	985	2,008	-	2,582,007	-	29,542	2,614,542
Interest	<u>-</u>	<u>-</u>	<u>747</u>	<u>1,520</u>	<u>-</u>	<u>967,600</u>	<u>-</u>	<u>5,316</u>	<u>975,183</u>
Total expenditures	<u>800,447</u>	<u>859,702</u>	<u>968,062</u>	<u>5,321,885</u>	<u>1,162,970</u>	<u>4,803,380</u>	<u>-</u>	<u>1,125,211</u>	<u>15,041,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,646</u>	<u>(37,839)</u>	<u>63,018</u>	<u>28,270</u>	<u>(511,355)</u>	<u>1,333,350</u>	<u>12,180</u>	<u>(335,656)</u>	<u>651,614</u>
Other financing sources (uses):									
Operating transfers in	-	122,589	1,732	-	650,000	333,409	-	200,000	1,307,730
Operating transfers out	<u>-</u>	<u>-</u>	<u>(53,737)</u>	<u>(282,405)</u>	<u>(60,000)</u>	<u>-</u>	<u>(12,180)</u>	<u>-</u>	<u>(408,322)</u>
Total other financing sources (uses)	<u>-</u>	<u>122,589</u>	<u>(52,005)</u>	<u>(282,405)</u>	<u>590,000</u>	<u>333,409</u>	<u>(12,180)</u>	<u>200,000</u>	<u>899,408</u>
Net change in fund balances	99,646	84,750	11,013	(254,135)	78,645	1,666,759	-	(135,656)	1,551,022
Fund balances, July 1, 2013	<u>132,504</u>	<u>998,253</u>	<u>56,050</u>	<u>2,073,439</u>	<u>1,478,424</u>	<u>853,659</u>	<u>-</u>	<u>5,051,378</u>	<u>10,643,707</u>
Fund balances, June 30, 2014	<u>\$ 232,150</u>	<u>\$ 1,083,003</u>	<u>\$ 67,063</u>	<u>\$ 1,819,304</u>	<u>\$ 1,557,069</u>	<u>\$ 2,520,418</u>	<u>\$ -</u>	<u>\$ 4,915,722</u>	<u>\$ 12,194,729</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<u>Deferred Compensation</u>				
Assets:				
Cash on hand and in banks	\$ -	\$ -	\$ -	\$ -
Deferred compensation	<u>858,696</u>	<u>11,137</u>	<u>39,551</u>	<u>830,282</u>
Total assets	<u>\$ 858,696</u>	<u>\$ 11,137</u>	<u>\$ 39,551</u>	<u>\$ 830,282</u>
Liabilities:				
Deferred compensation	\$ 858,696	\$ 11,137	\$ 39,551	\$ 830,282
Due to student groups	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 858,696</u>	<u>\$ 11,137</u>	<u>\$ 39,551</u>	<u>\$ 830,282</u>
<u>Student Body</u>				
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 586,677	\$ 1,877,320	\$ 1,795,374	\$ 668,623
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 586,677</u>	<u>\$ 1,877,320</u>	<u>\$ 1,795,374</u>	<u>\$ 668,623</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>586,677</u>	<u>1,877,320</u>	<u>1,795,374</u>	<u>668,623</u>
Total liabilities	<u>\$ 586,677</u>	<u>\$ 1,877,320</u>	<u>\$ 1,795,374</u>	<u>\$ 668,623</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 219,502	\$ 377,532	\$ 275,808	\$ 321,226
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 219,502</u>	<u>\$ 377,532</u>	<u>\$ 275,808</u>	<u>\$ 321,226</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>219,502</u>	<u>377,532</u>	<u>275,808</u>	<u>321,226</u>
Total liabilities	<u>\$ 219,502</u>	<u>\$ 377,532</u>	<u>\$ 275,808</u>	<u>\$ 321,226</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2014

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
<u>Student Body</u> (Continued)				
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 194,076	\$ 708,935	\$ 683,927	\$ 219,084
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 194,076</u>	<u>\$ 708,935</u>	<u>\$ 683,927</u>	<u>\$ 219,084</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>194,076</u>	<u>708,935</u>	<u>683,927</u>	<u>219,084</u>
Total liabilities	<u>\$ 194,076</u>	<u>\$ 708,935</u>	<u>\$ 683,927</u>	<u>\$ 219,084</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,000,255	\$ 2,963,787	\$ 2,755,109	\$ 1,208,933
Deferred compensation	<u>858,696</u>	<u>11,137</u>	<u>39,551</u>	<u>830,282</u>
Total assets	<u>\$ 1,858,951</u>	<u>\$ 2,974,924</u>	<u>\$ 2,794,660</u>	<u>\$ 2,039,215</u>
Liabilities:				
Deferred compensation	\$ 858,696	\$ 11,137	\$ 39,551	\$ 830,282
Due to student groups	<u>1,000,255</u>	<u>2,963,787</u>	<u>2,755,109</u>	<u>1,208,933</u>
Total liabilities	<u>\$ 1,858,951</u>	<u>\$ 2,974,924</u>	<u>\$ 2,794,660</u>	<u>\$ 2,039,215</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2014

Folsom Cordova Unified School District was established in 1949. The District is currently operating twenty-one elementary schools, four middle schools, three high schools, two continuation high schools, thirteen preschools, seventeen student-care centers, an independent study high school, an adult education program, an adolescent parent program, a community charter school, and a community day school. There were no changes in the boundaries of the District during the year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Zak Ford	President	2014
Teresa Stanley	Vice President	2016
JoAnne Reinking	Clerk	2016
Richard Shaw	Member	2014
Edward Short	Member	2014

ADMINISTRATION

Deborah Bettencourt
Superintendent

Rhonda Crawford
Chief Financial Officer/CBO

Curtis Wilson
Assistant Superintendent, Elementary Instruction

Janie Sorg
Assistant Superintendent, Secondary Instruction

Karen Knight
Assistant Superintendent, Human Resources

Betty Jo Wessinger
Assistant Superintendent, SELPA Director

Kristi Blandford
Director of Fiscal Services

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
DISTRICT		
Elementary:		
Transitional Kindergarten through Third	5,743	5,739
Fourth through Sixth	4,430	4,425
Seventh and Eighth	2,808	2,798
Special Education	22	20
Community Day School	<u>25</u>	<u>27</u>
Subtotal Elementary	<u>13,028</u>	<u>13,009</u>
Secondary:		
Ninth through Twelfth	5,121	5,091
Special Education	29	25
Continuation Education	200	193
Community Day School	<u>18</u>	<u>18</u>
Subtotal Secondary	<u>5,368</u>	<u>5,327</u>
District Totals	<u><u>18,396</u></u>	<u><u>18,336</u></u>
CHARTER SCHOOL		
Folsom Community Charter School (Nonclassroom Based):		
Transitional Kindergarten through Third	52	52
Fourth through Sixth	53	54
Seventh and Eighth	<u>33</u>	<u>33</u>
Charter School Total	<u><u>138</u></u>	<u><u>149</u></u>

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2014

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>Reduced Minutes Require- ment</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>					
Kindergarten	36,000	35,000	35,797	179	In Compliance
Grade 1	50,400	49,000	52,376	179	In Compliance
Grade 2	50,400	49,000	52,376	179	In Compliance
Grade 3	50,400	49,000	53,736	179	In Compliance
Grade 4	54,000	52,500	53,736	179	In Compliance
Grade 5	54,000	52,500	53,736	179	In Compliance
Grade 6	54,000	52,500	61,110	179	In Compliance
Grade 7	54,000	52,500	61,110	179	In Compliance
Grade 8	54,000	52,500	61,110	179	In Compliance
Grade 9	64,800	63,000	64,855	179	In Compliance
Grade 10	64,800	63,000	64,855	179	In Compliance
Grade 11	64,800	63,000	64,855	179	In Compliance
Grade 12	64,800	63,000	64,855	179	In Compliance

See accompanying notes to supplementary information.

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

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	\$ 2,818,859
84.173A	Special Education: IDEA Preschool Staff Development	13431	1,816
84.173	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13430	23,215
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	13682	157,839
84.027A	Special Education: IDEA Mental Health Services, Part B, Sec 611	14468	<u>280,011</u>
	Subtotal Special Education Cluster		<u>3,281,740</u>
	Adult Education Program:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	83,600
84.002	Adult Education: Adult Secondary Education	13978	56,805
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	<u>41,582</u>
	Subtotal Adult Education Program		<u>181,987</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u> (Continued)			
84.010	NCLB: Title I, Part A Program: NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 2,298,705
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action, Extensive Plan	14955	<u>593,637</u>
	Subtotal NCLB: Title I, Part A Program		<u>2,892,342</u>
84.365	NCLB (ESEA): Title III, Limited English Proficient (LEP) Student Program	14346	169,620
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	421,169
84.048	Carl D.Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	109,454
84.181	Special Education: IDEA Early Intervention Grants, Part C	23761	91,745
84.323	Special Education: State Improvement Grant, Improving Special Ed Systems	14920	<u>3,451</u>
	Total U.S. Department of Education		<u>7,151,508</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option	10013	<u>45,036</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	37,349
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	<u>3,566,135</u>
	Total U.S. Department of Agriculture		<u>3,603,484</u>
	Total Federal Programs		<u>\$ 10,800,028</u>

See accompanying notes to supplementary information.

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

For the Year Ended June 30, 2014

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

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2014

(Unaudited)

	(Budgeted) <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$153,973,981</u>	<u>\$148,172,456</u>	<u>\$140,381,414</u>	<u>\$141,898,342</u>
Expenditures	151,097,240	152,977,622	136,455,489	134,290,010
Other uses and transfers out	<u>1,337,349</u>	<u>1,572,589</u>	<u>1,986,772</u>	<u>2,061,795</u>
Total outgo	<u>152,434,589</u>	<u>154,550,211</u>	<u>138,442,261</u>	<u>136,351,805</u>
Changes in fund balance	<u>\$ 1,539,392</u>	<u>\$ (6,377,755)</u>	<u>\$ 1,939,153</u>	<u>\$ 5,546,537</u>
Ending fund balance	<u>\$ 2,647,327</u>	<u>\$ 1,107,935</u>	<u>\$ 7,485,690</u>	<u>\$ 5,546,537</u>
Available reserves	<u>\$ 7,772,234</u>	<u>\$ 5,221,527</u>	<u>\$ 6,062,198</u>	<u>\$ 6,358,062</u>
Designated for economic uncertainties	<u>\$ 4,770,000</u>	<u>\$ 4,770,000</u>	<u>\$ 4,365,000</u>	<u>\$ 4,365,000</u>
Undesignated fund balance	<u>\$ 3,002,234</u>	<u>\$ 451,527</u>	<u>\$ 1,697,198</u>	<u>\$ 1,993,062</u>
Available reserves as percentages of total outgo	<u>5.1%</u>	<u>3.4%</u>	<u>4.4%</u>	<u>4.7%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$264,436,400</u>	<u>\$278,341,987</u>	<u>\$255,836,681</u>	<u>\$262,953,207</u>
Average daily attendance at P-2	<u>18,396</u>	<u>18,396</u>	<u>18,305</u>	<u>18,312</u>

The General Fund fund balance has increased by \$1,107,935 over the past three years. The fiscal year 2014-2015 budget projects an increase of \$1,539,392. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the fiscal year 2014-2015.

Total long-term liabilities have increased by \$15,388,780 over the past two years, primarily due to debt issuance.

Average daily attendance has increased by 84 over the past two years. No change in ADA is projected for the 2014-2015 fiscal year.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

Charter Schools Chartered by District

Folsom Community Charter School

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

Included in District Financial
Statements as Charter School
Fund.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES

For the Year Ended June 30, 2014

	Academic and Support <u>Services</u>
Revenues:	
Other local sources	<u>\$ 461,340</u>
Expenditures:	
Certificated salaries	78,112
Classified salaries	234,853
Employee benefits	71,666
Books and supplies	19,569
Contract services and operating expenditures	33,246
Indirect costs	<u>23,894</u>
	<u>461,340</u>
Net income	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is prepared on the modified accrual basis of accounting. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2014.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 11,003,023
Less: Medi-Cal Billing Funds not spent	93.778	(192,090)
Less: CACFP Claims - Centers and Family Funds not spent	10.558	<u>(10,905)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 10,800,028</u>

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

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

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

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

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenditures

This schedule provides information about the First 5 Sacramento County Program.

2. EARLY RETIREMENT INCENTIVE PROGRAM

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

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

Board of Education
 Folsom Cordova Unified School District
 Folsom, California

Report on Compliance with State Laws and Regulations

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

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

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer the program in the current year.

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

The District did not have any expenditures related to California Clean Energy Jobs Act; therefore, we did not perform any procedures.

We did not perform any procedures related to After School Education and Safety Program - Before School because the District does not operate a program before school.

We did not perform any procedures related to Mode of Instruction, for charter schools and Annual Instructional Minutes - Classroom-Based, for charter schools, because the District's had no classroom based ADA.

The District did not have any expenditures related to Charter School Facilities Grant; therefore, we did not perform any procedures.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion with State Laws and Regulations

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

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

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

Internal Control Over Financial Reporting

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

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

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

We did identify a certain matter in internal control that we communicated to management as described in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2014-001.

Compliance and Other Matters

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

Other Matter

Folsom Cordova Unified School District's response to the finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. Folsom Cordova 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

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

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Folsom Cordova Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Folsom Cordova 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 Folsom Cordova Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Folsom Cordova Unified School District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE FIRST 5 SACRAMENTO COUNTY PROGRAM

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on Compliance with the First 5 Sacramento County Program

We have audited the compliance of Folsom Cordova Unified School District with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on the First 5 Sacramento County Program for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the First 5 Sacramento County Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on Folsom Cordova Unified School District's First 5 Sacramento County Program 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 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about Folsom Cordova 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 the First 5 Sacramento County Program. However, our audit does not provide a legal determination on Folsom Cordova Unified School District's compliance with those requirements.

Opinion on the First 5 Sacramento County Program

In our opinion, Folsom Cordova Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2014.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

FINDINGS AND RECOMMENDATIONS

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I, Part A Programs
10.555	Child Nutrition: School Programs (NSL Sec 4)

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 324,001

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

STATE AWARDS

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

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

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Condition

At Folsom High School:

- There are no written records of how much money is put into the safe on a daily basis.
- Cash turned in is not identified with numbered receipts or count sheets to verify dual count of cash on a daily basis.
- Inventory sold is not recorded or reconciled at any time, only purchased as needed.

At Sutter Middle School the same person collecting the funds is also depositing the funds into the bank.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Established internal controls have not been followed.

Fiscal Impact

Not determinable.

Recommendation

- Records should be maintained indicating how much money is held in the safe at any given time.
- Cash turned in should be supported by receipts or tally sheets, to include evidence that it was counted in dual custody.
- Inventory should be performed.
- The person collecting funds should not also deposit the funds.

Corrective Action Plan

The District provides training and on-site visits on the Associated Student Body Handbook, which outlines the issues noted by the auditor's recommendations, some at a greater level than what has been suggested. The District will provide additional training focused on preparing required documentation for compliance and continue to monitor timeliness of submission of reports.

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2014

Finding/Recommendation	Current Status	District Explanation If Not Implemented
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No matters were reported.