

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2015

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015

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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, 2015, 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, 2015, 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.

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(Continued)

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in Notes 7 and 8, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 11 and the General Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 57 to 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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.

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(Continued)

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 11, 2015 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

Sacramento, California  
December 11, 2015

# 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 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 12. 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 14.

## Overview of the Financial Statements

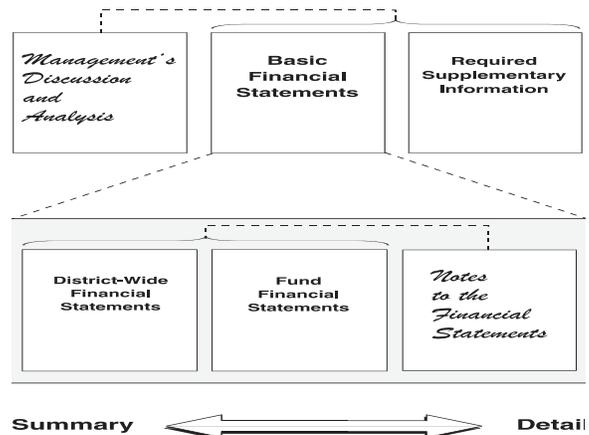
This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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, deferred outflows of resources, liabilities and deferred inflows of resources. 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 plus deferred outflows of resources, liabilities and deferred inflows of resources—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 student care center is 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

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	•statement of net assets	•balance sheet	•statement of net assets	•statement of fiduciary net assets
	•statement of activities	•statement of revenues, expenditures & changes in fund balances	•statement of revenues, expenses & changes in fund net assets •statement of cash flows	•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

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-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 changes 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.

	Governmental Activities		Percentage Change <u>2014-2015</u>
	<u>2014</u>	<u>2015</u>	
Current and other assets	\$ 85,941,784	\$ 72,397,291	
Capital assets	<u>441,904,445</u>	<u>458,369,181</u>	
<b>Total assets</b>	527,846,229	530,766,472	0.55%
Deferred outflows of resources	10,639,348	11,465,542	
Long-term debt outstanding	278,341,987	398,063,152	
Other liabilities	<u>6,655,925</u>	<u>13,174,723</u>	
<b>Total liabilities</b>	284,997,912	411,237,875	44.30%
Deferred inflows of resources	-	34,196,015	
Net investment in capital assets	215,401,836	216,129,700	
Restricted	37,566,205	43,032,984	
Unrestricted	<u>(8,635,370)</u>	<u>(162,364,560)</u>	
<b>Total net position</b>	\$ 244,332,671	\$ 96,798,124	-60.38%

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**

	<b><u>2014</u></b>	<b><u>2015</u></b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 1,542,246	\$ 1,447,066
Operating Grants	29,583,686	31,567,924
Capital Grants and Contributions	12,180	865,101
General Revenues		
Property Taxes	56,605,661	61,972,733
Federal and State Aid	79,647,903	90,943,345
Other	11,241,198	16,535,557
Total Revenues	<u>\$ 178,632,874</u>	<u>\$ 203,331,726</u>
<b>Program Expenses</b>		
Instruction	109,448,353	118,504,039
Instruction Related Services	17,171,164	19,841,807
Pupil Services	16,258,350	17,912,024
Ancillary Services	2,993,867	3,033,953
Data Processing	2,375,992	2,419,787
General Administration	7,547,454	7,801,842
Plant Services	15,419,266	16,830,238
Interest	11,850,485	13,392,215
Other	1,373,352	810,137
Enterprise activities	-	(15,595)
Total Expenses	<u>184,438,283</u>	<u>200,530,447</u>
Change in net position	(5,805,409)	2,801,279
Net Position – Beginning	<u>250,138,080</u>	<u>244,332,671</u>
Cumulative effect of GASB 68 implementation	-	(150,335,826)
Net Position – Beginning, as restated	<u>250,138,080</u>	<u>93,996,845</u>
Net Position – Ending	<u>\$ 244,332,671</u>	<u>\$ 96,798,124</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:

	<b>General Fund</b>		<b>Percentage Change <u>2014-2015</u></b>
	<b><u>2014</u></b>	<b><u>2015</u></b>	
Total Revenues	\$ 147,694,767	\$162,779,213	
Expenses	152,977,622	162,276,737	
Other financing sources	<u>-1,094,900</u>	<u>-2,035,012</u>	
Excess of revenues over expenses	\$ -6,377,755	\$ -1,532,536	24.0%

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 \$29,460,351 in modernization and new construction from the following combined sources for 2014-15. This represents a 240% increase from last year's amount of \$8,666,608.

	<b>Governmental Activities</b>		<b>Percentage Change <u>2014-2015</u></b>
	<b><u>2014</u></b>	<b><u>2015</u></b>	
Land	\$ 49,116,097	\$49,116,097	
Improvement of sites	29,411,947	29,572,450	
Buildings	489,397,351	497,116,675	
Equipment	35,488,342	35,664,372	
Work-in-process	<u>14,144,397</u>	<u>35,548,891</u>	
Total	\$ 617,558,134	\$647,018,485	4.8%

### **District Indebtedness**

At year-end, the District's governmental activities has incurred \$398,063,152 of long-term debt. Of that, \$223,566,682 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.

	<b>Governmental Activities</b>		<b>Percentage Change <u>2014-2015</u></b>
	<b><u>2014</u></b>	<b><u>2015</u></b>	
Compensated absences	\$ 830,281	\$ 921,838	
Certificates of participation	21,517,349	18,832,349	
General obligation bonds	229,532,113	223,566,682	
Capital lease	336,146	248,060	
Net pension liability	159,490,820	127,125,270	
Post-employment medical benefits	<u>26,126,098</u>	<u>27,368,953</u>	
Total	\$ 437,832,807	\$398,063,152	-9.08%

The Governmental Accounting Standards Board approved GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement, issued in June 2012, is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Due to GASB 68, the District's beginning net position had to be restated to show deferred outflows of resources for pensions of \$9,243,524 and the net pension liability of \$159,490,820. Because of these restatements, the District's net position for fiscal year ending June 30, 2014 has been restated to \$94,509,685 from \$245,906,141.

**Cost of Governmental Services**

At year-end, the District's General Fund cost of operation was \$162,276,737. Total District expenditures were \$9,281,948 more than the previous year due to step and column adjustments, staff development and sites spending carryover money.

	<b>General Fund</b>		<b>Percentage Change <u>2014-2015</u></b>
	<b><u>2014</u></b>	<b><u>2015</u></b>	
Instruction	\$111,525,348	\$119,158,355	
Pupil services	10,757,094	12,298,096	
Ancillary services	3,008,776	3,049,592	
General Administration	8,249,511	8,574,371	
Plant Services	16,726,594	18,628,369	
Other Outgo	<u>2,727,466</u>	<u>567,954</u>	
Total	\$152,994,789	\$162,276,737	6.07%

**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:

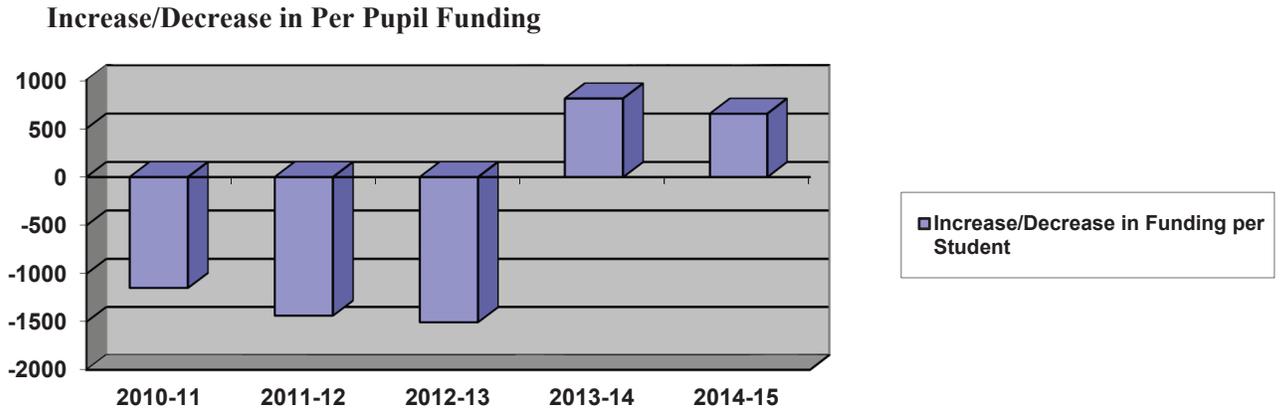
	<b>Estimated June <u>2015</u></b>	<b>Actual <u>2015</u></b>	<b>Percentage <u>Variance</u></b>
<b>Revenues</b>			
LCFF	\$123,962,083	\$127,862,733	
Federal Revenues	8,900,248	7,059,529	
State Revenues	17,466,030	21,347,163	
Local Revenues	<u>6,817,764</u>	<u>6,509,788</u>	
Total Revenues	157,146,125	162,779,213	3.6%
<b>Expenditures</b>			
Salaries & Benefits	128,058,062	135,545,155	
Books & Supplies	7,387,666	7,631,976	
Services & Other Operating	18,646,914	15,842,082	
Capital Outlay/Other Outgo	<u>4,456,757</u>	<u>3,257,524</u>	
Total Expenditures	\$158,549,399	\$162,276,737	2.4%

Total budgeted revenues were \$5,633,088 lower than actual revenues received. Total expenditures were \$3,727,338 more than budgeted due to negotiations being settled at the end of the year which caused salaries and benefits to be higher.

## Financial Issues

### Per Pupil Funding

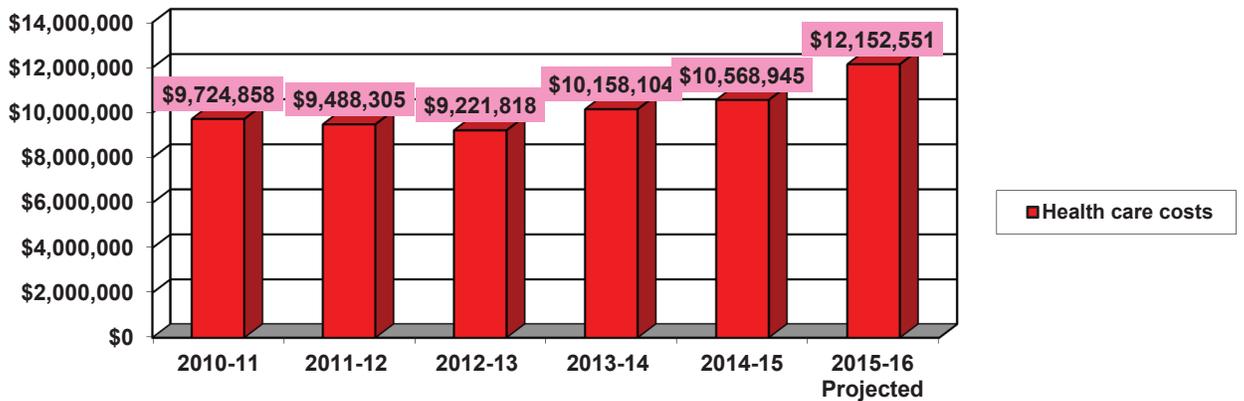
Since 2008-09, the State of California had been experiencing a severe economic down-turn causing concern for future funding sources. With the passage of Proposition 30 by the voters in November 2012, the State did not impose mid-year reductions, and school districts were flat-funded for 2012-13. Beginning 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 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:

**Trends in District-Wide Health Care Costs**



### **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, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 66,728,525	\$ 2,205,876	\$ 68,934,401
Receivables	5,653,547	3,876	5,657,423
Prepaid expenses	-	2,177	2,177
Stores inventory	15,219	-	15,219
Non-depreciable capital assets (Note 4)	84,664,988	-	84,664,988
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>373,704,193</u>	<u>-</u>	<u>373,704,193</u>
Total assets	<u>530,766,472</u>	<u>2,211,929</u>	<u>532,978,401</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions (Notes 7 and 8)	10,138,073	96,603	10,234,676
Deferred loss from refunding of debt	<u>1,327,469</u>	<u>-</u>	<u>1,327,469</u>
Total deferred outflows of resources	<u>11,465,542</u>	<u>96,603</u>	<u>11,562,145</u>
<b>LIABILITIES</b>			
Accounts payable	12,832,641	108,596	12,941,237
Unearned revenue	834,763	-	834,763
Interagency balances (Note 3)	(492,681)	492,681	-
Long-term liabilities (Note 5):			
Due within one year	13,601,421	-	13,601,421
Due after one year	<u>384,461,731</u>	<u>836,730</u>	<u>385,298,461</u>
Total liabilities	<u>411,237,875</u>	<u>1,438,007</u>	<u>412,675,882</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>34,196,015</u>	<u>295,485</u>	<u>34,491,500</u>
<b>NET POSITION</b>			
Net investment in capital assets	216,129,700	-	216,129,700
Restricted (Note 6)	43,032,984	575,040	43,608,024
Unrestricted	<u>(162,364,560)</u>	<u>-</u>	<u>(162,364,560)</u>
Total net position	<u>\$ 96,798,124</u>	<u>\$ 575,040</u>	<u>\$ 97,373,164</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 118,504,039	\$ 3,028	\$ 19,023,181	\$ 865,101	\$ (98,612,729)	\$ -	\$ (98,612,729)
Instruction-related services:							
Supervision of instruction	6,347,383	228	1,895,146	-	(4,452,009)	-	(4,452,009)
Instructional library, media and technology	769,407	-	2,015	-	(767,392)	-	(767,392)
School site administration	12,725,017	-	670,469	-	(12,054,548)	-	(12,054,548)
Pupil services:							
Home-to-school transportation	3,497,415	-	6,442	-	(3,490,973)	-	(3,490,973)
Food services	5,520,554	1,290,024	3,656,590	-	(573,940)	-	(573,940)
All other pupil services	8,894,055	519	2,916,588	-	(5,976,948)	-	(5,976,948)
General administration:							
Data processing	2,419,787	-	4,436	-	(2,415,351)	-	(2,415,351)
All other general administration	7,801,842	73,424	1,674,526	-	(6,053,892)	-	(6,053,892)
Plant services	16,830,238	74	62,059	-	(16,768,105)	-	(16,768,105)
Ancillary services	3,033,953	711	655,744	-	(2,377,498)	-	(2,377,498)
Enterprise activities	(15,595)	-	-	-	15,595	-	15,595
Interest on long-term liabilities	13,392,215	-	-	-	(13,392,215)	-	(13,392,215)
Other outgo	810,137	79,058	1,000,728	-	269,649	-	269,649
Business-type activities:							
Enterprise activities	1,941,905	3,021,143	-	-	-	1,079,238	1,079,238
Total governmental and business-type activities	<u>\$ 202,472,352</u>	<u>\$ 4,468,209</u>	<u>\$ 31,567,924</u>	<u>\$ 865,101</u>	<u>(166,650,356)</u>	<u>1,079,238</u>	<u>(165,571,118)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					43,539,857	-	43,539,857
Taxes levied for debt service					18,117,266	-	18,117,266
Taxes levied for other specific purposes					315,610	-	315,610
Federal and state aid not restricted to specific purposes					90,943,345	-	90,943,345
Interest and investment earnings					(159,043)	3,875	(155,168)
Interagency revenues					292,787	-	292,787
Miscellaneous					15,377,910	2,990	15,380,900
Internal transfers					1,023,903	(1,023,903)	-
Total general revenues					<u>169,451,635</u>	<u>(1,017,038)</u>	<u>168,434,597</u>
Change in net position					2,801,279	62,200	2,863,479
Net position, July 1, 2014					244,332,671	1,573,490	245,906,161
Cumulative effect of GASB 68 implementation					<u>(150,335,826)</u>	<u>(1,060,650)</u>	<u>(151,396,476)</u>
Net position, July 1, 2014, as restated					<u>93,996,845</u>	<u>512,840</u>	<u>94,509,685</u>
Net position, June 30, 2015					<u>\$ 96,798,124</u>	<u>\$ 575,040</u>	<u>\$ 97,373,164</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 31,583,194	\$ 3,886,614	\$ 3,729,628	\$ 18,083,163	\$ 8,441,043	\$ 65,723,642
Cash on hand and in banks	448,244	-	381,248	-	88,412	917,904
Cash in revolving fund	75,000	-	-	-	10,000	85,000
Cash with Fiscal Agent	-	1,979	-	-	-	1,979
Receivables	4,472,737	9,031	130,081	27,173	1,014,525	5,653,547
Due from other funds	361,888	1,070,418	3,632,907	-	1,297,759	6,362,972
Stores inventory	-	-	-	-	15,219	15,219
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,219</u>	<u>15,219</u>
Total assets	<u>\$ 36,941,063</u>	<u>\$ 4,968,042</u>	<u>\$ 7,873,864</u>	<u>\$ 18,110,336</u>	<u>\$ 10,866,958</u>	<u>\$ 78,760,263</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 8,245,394	\$ 2,922,774	\$ 41,795	\$ -	\$ 314,351	\$ 11,524,314
Unearned revenue	470,787	-	-	363,976	-	834,763
Due to other funds	<u>1,811,257</u>	<u>1,075,170</u>	<u>2,730,065</u>	<u>-</u>	<u>253,799</u>	<u>5,870,291</u>
Total liabilities	<u>10,527,438</u>	<u>3,997,944</u>	<u>2,771,860</u>	<u>363,976</u>	<u>568,150</u>	<u>18,229,368</u>
Fund balances:						
Nonspendable	75,000	-	-	-	25,219	100,219
Restricted	8,917,693	970,098	5,102,004	17,746,360	10,273,589	43,009,744
Assigned	12,207,085	-	-	-	-	12,207,085
Unassigned	<u>5,213,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,213,847</u>
Total fund balances	<u>26,413,625</u>	<u>970,098</u>	<u>5,102,004</u>	<u>17,746,360</u>	<u>10,298,808</u>	<u>60,530,895</u>
Total liabilities and fund balances	<u>\$ 36,941,063</u>	<u>\$ 4,968,042</u>	<u>\$ 7,873,864</u>	<u>\$ 18,110,336</u>	<u>\$ 10,866,958</u>	<u>\$ 78,760,263</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, 2015

Total fund balances - Governmental Funds \$ 60,530,895

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 \$647,018,485 and the accumulated depreciation is \$188,649,304 (Note 4). 458,369,181

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, 2015 consisted of (Note 5):

Certificates of Participation	\$ (18,832,349)	
General Obligation Bonds	(177,137,648)	
Unamortized premium	(4,523,309)	
Accreted interest	(41,905,725)	
Capitalized lease obligation	(248,060)	
Other postemployment benefits (Note 9)	(27,368,953)	
Net pension liability (Notes 7 and 8)	(127,125,270)	
Compensated absences	<u>(921,838)</u>	(398,063,152)

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. 1,327,469

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).

Deferred outflows of resources relating to pensions	\$ 10,138,073	
Deferred inflows of resources relating to pensions	<u>(34,196,015)</u>	(24,057,942)

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. (1,308,327)

Total net position - governmental activities \$ 96,798,124

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, 2015

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 85,663,255	\$ -	\$ -	\$ -	\$ 584,644	\$ 86,247,899
Local sources	<u>42,199,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,307,505</u>	<u>43,506,983</u>
Total LCFF	<u>127,862,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,892,149</u>	<u>129,754,882</u>
Federal sources	7,059,529	-	-	-	3,700,392	10,759,921
Other state sources	21,347,163	-	-	161,198	2,670,168	24,178,529
Other local sources	<u>6,509,788</u>	<u>16,366</u>	<u>6,583,067</u>	<u>20,730,719</u>	<u>2,338,545</u>	<u>36,178,485</u>
Total revenues	<u>162,779,213</u>	<u>16,366</u>	<u>6,583,067</u>	<u>20,891,917</u>	<u>10,601,254</u>	<u>200,871,817</u>
Expenditures:						
Current:						
Certificated salaries	78,148,620	-	-	-	1,139,021	79,287,641
Classified salaries	27,435,100	111	454,776	-	2,934,648	30,824,635
Employee benefits	29,961,435	12	141,656	-	1,190,058	31,293,161
Books and supplies	7,631,975	3,613	134,495	-	3,138,623	10,908,706
Contract services and operating expenditures	15,782,356	10,445	82,646	-	1,375,361	17,250,808
Other outgo	210,137	-	-	-	-	210,137
Capital outlay	3,044,294	25,335,128	969,935	-	200,995	29,550,352
Debt service:						
Principal retirement	51,536	-	2,681,840	10,782,948	39,710	13,556,034
Interest	<u>11,284</u>	<u>-</u>	<u>870,826</u>	<u>7,217,614</u>	<u>6,163</u>	<u>8,105,887</u>
Total expenditures	<u>162,276,737</u>	<u>25,349,309</u>	<u>5,336,174</u>	<u>18,000,562</u>	<u>10,024,579</u>	<u>220,987,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>502,476</u>	<u>(25,332,943)</u>	<u>1,246,893</u>	<u>2,891,355</u>	<u>576,675</u>	<u>(20,115,544)</u>
Other financing sources (uses):						
Transfers in	491,581	1,076,400	1,334,693	-	1,540,100	4,442,774
Transfers out	<u>(2,526,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,492,278)</u>	<u>(4,018,871)</u>
Total other financing sources (uses)	<u>(2,035,012)</u>	<u>1,076,400</u>	<u>1,334,693</u>	<u>-</u>	<u>47,822</u>	<u>423,903</u>
Net change in fund balances	(1,532,536)	(24,256,543)	2,581,586	2,891,355	624,497	(19,691,641)
Fund balances, July 1, 2014	<u>27,946,161</u>	<u>25,226,641</u>	<u>2,520,418</u>	<u>14,855,005</u>	<u>9,674,311</u>	<u>80,222,536</u>
Fund balances, June 30, 2015	<u>\$ 26,413,625</u>	<u>\$ 970,098</u>	<u>\$ 5,102,004</u>	<u>\$ 17,746,360</u>	<u>\$ 10,298,808</u>	<u>\$ 60,530,895</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, 2015

Net change in fund balances - Total Governmental Funds		\$ (19,691,641)
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).	\$ 29,460,351	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(12,995,615)	
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.	(156,885)	
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).	13,556,034	
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).	349,543	
Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(5,167,060)	
Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net position (Notes 5 and 9).	(1,242,855)	
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.	(371,650)	
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(847,386)	
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).	<u>(91,557)</u>	<u>22,492,920</u>
Change in net position of governmental activities		<u>\$ 2,801,279</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
STUDENT CARE CENTER FUND  
June 30, 2015

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**ASSETS**

Current assets:

Cash in County Treasury	\$ 2,142,621
Cash in banks	63,255
Receivables	3,876
Prepaid expenditures	<u>2,177</u>

Total current assets 2,211,929

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources - pensions (Notes 7 and 8) 96,603

**LIABILITIES**

Current liabilities:

Accounts payable	108,596
Due to other funds	<u>492,681</u>

Total current liabilities 601,277

Net pension liability - long-term 836,730

Total liabilities 1,438,007

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - pensions (Notes 7 and 8) 295,485

**NET POSITION**

Net position - restricted \$ 575,040

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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, 2015

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Operating revenues:	
Children Center fees	\$ 3,021,143
Other local revenues	<u>2,990</u>
Total operating revenues	<u>3,024,133</u>
Operating expenses:	
Classified salaries	1,297,072
Employee benefits	344,342
Books and supplies	156,949
Contract services and operating expenses	<u>143,542</u>
Total operating expenses	<u>1,941,905</u>
Operating income	1,082,228
Non-operating income (expense):	
Interest income	<u>3,875</u>
Transfers to other funds	<u>(1,023,903)</u>
Change in net position	62,200
Net position, July 1, 2014	1,573,490
Cumulative effect of GASB 68 implementation	<u>(1,060,650)</u>
Net position, July 1, 2014, as restated	<u>512,840</u>
Net position, June 30, 2015	<u><u>\$ 575,040</u></u>

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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, 2015

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Cash flows from operating activities:	
Cash received for children center fees	\$ 3,018,357
Cash paid for employee benefits and operating expenses	<u>(1,889,792)</u>
Net cash provided by operating activities	<u>1,128,565</u>
Cash flows used in noncapital financing activities:	
Transfer to other funds	<u>(787,058)</u>
Cash flows provided by investing activities:	
Interest income	<u>3,875</u>
Change in cash and investments	345,382
Cash and investments, July 1, 2014	<u>1,860,494</u>
Cash and investments, June 30, 2015	<u><u>\$ 2,205,876</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,082,228</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	(2,786)
Deferred outflows of resources	(8,073)
Accounts payable	74,161
Net pension liability	(312,450)
Deferred inflows of resources	<u>295,485</u>
Total adjustments	<u>46,337</u>
Net cash provided by operating activities	<u><u>\$ 1,128,565</u></u>

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See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
June 30, 2015

	<u>Trust Fund Retiree Benefit</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 7,572,123	\$ -
Cash on hand and in banks	-	1,497,531
Deferred compensation	-	921,839
Receivables	<u>15,800</u>	<u>-</u>
Total assets	<u>7,587,923</u>	<u>2,419,370</u>
<b>LIABILITIES</b>		
Accounts payable	12,478	-
Deferred compensation	-	921,839
Due to student groups	<u>-</u>	<u>1,497,531</u>
Total liabilities	<u>12,478</u>	<u>2,419,370</u>
<b>NET POSITION</b>		
Net position held in trust for retiree benefits - restricted (Note 6)	<u>\$ 7,575,445</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, 2015

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	<u>Retiree Benefit</u>
Additions:	
Employer contributions	\$ 1,712,634
Interest	15,800
Other local	<u>195</u>
Total additions	<u>1,728,629</u>
Deductions:	
Benefit expense paid to retirees	<u>803,534</u>
Change in net position	925,095
Net position held in trust for retiree benefits, July 1, 2014	<u>6,650,350</u>
Net position held in trust for retiree benefits, June 30, 2015	<u><u>\$ 7,575,445</u></u>

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See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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**NOTE 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.

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

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(Continued)

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

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

A - Major Funds

General Fund:

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

Building Fund:

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

Capital Facilities fund:

The Capital Facilities Fund is a capital projects fund used to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development.

Bond Interest and Redemption Fund:

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

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 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.

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(Continued)

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

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the 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.

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 and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2015.

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.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 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 has recognized a deferred loss on refunding of debt, which is 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, 2015 totaled \$156,885. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position includes 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 has recognized a deferred inflow of resources related to the recognition of the pension liability reported in the statement of net position.

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 7,014,586</u>	<u>\$ 3,220,090</u>	<u>\$ 10,234,676</u>
Deferred inflows of resources	<u>\$ 24,642,000</u>	<u>\$ 9,849,500</u>	<u>\$ 34,491,500</u>
Net pension liability	<u>\$ 100,071,000</u>	<u>\$ 27,891,000</u>	<u>\$ 127,962,000</u>
Pension expense	<u>\$ 10,107,503</u>	<u>\$ 2,385,492</u>	<u>\$ 12,492,995</u>

Based on the implementation of GASB Statement No. 68, the District has allocated 3.0 percent of the District's proportionate share of the PERF B net pension liability and related deferred inflows of resources and outflows of resources to the District's business-type activities.

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences: Compensated absences totaling \$921,838 are recorded as a liability of the District.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

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.

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2- Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for student care center fund represents the portion of net position restricted for the care center. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

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.

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2015, 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, 2015, 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, 2015, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

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.

New Accounting Pronouncements: In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB 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. GASB 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 RSI. This Statement is effective for the District's financial period ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities and business-type activities net position were restated by \$150,335,826 and \$1,060,650, respectively, because of the recognition of the net pension liability and deferred outflows of resources.

In November 2013, the GASB issued GASB 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 GASB 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 GASB 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. GASB 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 GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the Statement of Net Position.

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

In February 2015, the GASB has issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

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

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. The Statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements, however it is expected to be significant.

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2015 consisted of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 65,723,642	\$ 2,142,621	\$ 7,572,123
Deposits:			
Cash on hand and in banks	917,904	63,255	1,497,531
Cash in revolving fund	85,000	-	-
Investments:			
Cash with Fiscal Agent	1,979	-	-
Deferred compensation	-	-	921,839
Total	<u>\$ 66,728,525</u>	<u>\$ 2,205,876</u>	<u>\$ 9,991,493</u>

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, 2015, 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, 2015, the carrying amount of the District's accounts were \$2,563,690, and the bank balances were \$2,554,768, of which \$515,007 was insured.

Investments: Investments at June 30, 2015 consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash with Fiscal Agent	\$ 1,979	\$ 1,979
Deferred compensation	<u>921,839</u>	<u>921,839</u>
	<u>\$ 923,818</u>	<u>\$ 923,818</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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.

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, 2015, 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, 2015, the District had no concentration of credit risk.

**NOTE 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, 2015 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 361,888	\$ 1,811,257
Building	1,070,418	1,075,170
Capital Facilities	3,632,907	2,730,065
Non-Major Governmental Funds:		
Charter School	332,313	196,098
Adult Education	135,356	300
Child Development	5,366	44,702
Cafeteria	53,928	12,699
Deferred Maintenance	555,796	-
Special Reserve for Capital Projects	215,000	-
Proprietary Fund:		
Student Care Center	-	492,681
Totals	<u>\$ 6,362,972</u>	<u>\$ 6,362,972</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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**NOTE 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 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for direct support costs.	\$ 135,356
Transfer from the General Fund to the Cafeteria Fund for direct support costs.	53,008
Transfer from the General Fund to the Capital Facilities Fund for the Folsom High project.	388,229
Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of deferred maintenance funding.	1,150,000
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for the cell tower repayment.	200,000
Transfer from the General Fund to the Retiree Benefit Fund for OPEB contributions to retirees.	600,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	61,896
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	353,982
Transfer from the Cafeteria Fund to the Building Fund for the Cordova High School kitchen project.	211,299
Transfer from the County School Facilities Fund to the Building Fund for project costs.	865,101
Transfer from the Student Care Fund to the General Fund for indirect costs.	75,703
Transfer from the Student Care Fund to the Child Development Fund to repay loan.	1,736
Transfer from the Student Care Fund to the Capital Facilities Fund for the purchase of portable classrooms.	<u>946,464</u>
	<u>\$ 5,042,774</u>

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance July 1, <u>2014</u>	Additions and <u>Transfers</u>	Deductions and <u>Transfers</u>	Balance June 30, <u>2015</u>
Non-depreciable:				
Land	\$ 49,116,097	\$ -	\$ -	\$ 49,116,097
Work-in-process	14,144,397	29,460,351	(8,055,857)	35,548,891
Depreciable:				
Improvement of sites	29,411,947	160,503	-	29,572,450
Buildings	489,397,351	7,719,324	-	497,116,675
Equipment	<u>35,488,342</u>	<u>176,030</u>	<u>-</u>	<u>35,664,372</u>
Totals, at cost	<u>617,558,134</u>	<u>37,516,208</u>	<u>(8,055,857)</u>	<u>647,018,485</u>
Less accumulated depreciation:				
Improvement of sites	(21,675,220)	(1,644,955)	-	(23,320,175)
Buildings	(144,899,330)	(10,831,978)	-	(155,731,308)
Equipment	<u>(9,079,139)</u>	<u>(518,682)</u>	<u>-</u>	<u>(9,597,821)</u>
Total accumulated depreciation	<u>(175,653,689)</u>	<u>(12,995,615)</u>	<u>-</u>	<u>(188,649,304)</u>
Governmental activities capital assets, net	<u>\$ 441,904,445</u>	<u>\$ 24,520,593</u>	<u>\$ (8,055,857)</u>	<u>\$ 458,369,181</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 12,046,255
Supervision of instruction	143,678
Instructional library, media and technology	2,782
School site administration	24,697
Home-to-school transportation	24,508
Food services	55,683
All other pupil services	43,348
Ancillary services	12,613
Enterprise activities	30,381
All other general administration	269,683
Data processing	252,088
Plant services	<u>89,899</u>
Total depreciation expense	<u>\$ 12,995,615</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 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:

<u>Year Ending June 30,</u>	<u>Payments</u>
2016	\$ 3,554,695
2017	3,563,879
2018	3,555,133
2019	3,553,695
2020	3,557,259
2021-2024	<u>3,975,133</u>
	21,759,794
Less amount representing interest	<u>(2,927,445)</u>
	<u><u>\$ 18,832,349</u></u>

General Obligation Bonds: In April 1998, the District issued Election of 1997 General Obligation Bonds, Series A, current interest and capital appreciation 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 1997 General Obligation Bonds, Series A outstanding as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	329,290	680,710	1,010,000
2021-2023	<u>926,787</u>	<u>2,253,213</u>	<u>3,180,000</u>
	<u><u>\$ 2,685,815</u></u>	<u><u>\$ 5,299,185</u></u>	<u><u>\$ 7,985,000</u></u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

In July 2002, the District issued Election of 2002 General Obligation Bonds, Series A, current interest and capital appreciation 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, Series A outstanding as of June 30, 2015, are as follows:

<u>Year Ending 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>

In December 2004, the District issued Election of 2002, General Obligation Bonds, Series B current interest and capital appreciation 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 2002 General Obligation Bonds, Series B outstanding as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2030	\$ -	\$ 441,000	\$ 441,000
2021-2025	1,971,510	4,096,740	6,068,250
2026-2030	<u>4,262,339</u>	<u>10,377,661</u>	<u>14,640,000</u>
	<u>\$ 6,233,849</u>	<u>\$ 14,915,401</u>	<u>\$ 21,149,250</u>

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

In October 2007, the District issued Election of 2007 General Obligation Bonds, Series A and Election of 2006, General Obligation Bonds, Series A current interest and capital appreciation 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, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,336,053	1,287,547	4,623,600
2021-2025	17,885,156	10,746,344	28,631,500
2026-2030	14,210,715	21,374,285	35,585,000
2031-2033	<u>7,861,041</u>	<u>16,218,959</u>	<u>24,080,000</u>
	<u>\$ 54,533,835</u>	<u>\$ 53,443,715</u>	<u>\$ 107,977,550</u>

In October 2009, the District issued Election of 2007 General Obligation Bonds, Series B and Election of 2006, General Obligation Bonds, Series B current interest and capital appreciation 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, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	340,940	2,729,784	3,070,724
2021-2025	8,553,942	15,428,263	23,982,205
2026-2030	10,739,449	29,876,498	40,615,947
2031-2036	<u>21,102,588</u>	<u>60,718,026</u>	<u>81,820,614</u>
	<u>\$ 41,481,977</u>	<u>\$ 118,956,284</u>	<u>\$ 160,438,261</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

In January 2014, the District issued Election of 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, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	1,021,900	1,021,900
2021-2025	530,000	5,096,250	5,626,250
2026-2030	4,130,000	4,519,225	8,649,225
2031-2035	7,245,000	3,218,300	10,463,300
2036-2039	<u>8,975,000</u>	<u>949,125</u>	<u>9,924,125</u>
	<u>\$ 22,585,000</u>	<u>\$ 18,926,500</u>	<u>\$ 41,511,500</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, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,385,000	782,638	3,167,638
2021-2025	10,050,000	2,232,219	12,282,219
2026-2030	<u>5,480,000</u>	<u>724,250</u>	<u>6,204,250</u>
	<u>\$ 34,515,000</u>	<u>\$ 8,326,359</u>	<u>\$ 42,841,359</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 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, 2015, the accumulated depreciation related to these assets totaled \$2,136,009. The following is a schedule of the future payments for the capital lease:

Year Ending <u>June 30,</u>	<u>Payments</u>
2016	\$ 103,442
2017	103,433
2018	59,736
2019	<u>2,936</u>
	269,547
Less amount representing interest	<u>(21,487)</u>
	<u><u>\$ 248,060</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2015 is shown below:

<u>Governmental Activities:</u>	Balance July 1, 2014 as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Certificates of Participation	\$ 21,517,349	\$ -	\$ 2,685,000	\$ 18,832,349	\$ 2,785,000
General Obligation Bonds	187,920,596	-	10,782,948	177,137,648	9,444,052
Unamortized premium	4,872,852	-	349,543	4,523,309	358,463
Accreted interest on General Obligation Bonds	36,738,665	5,167,060	-	41,905,725	-
Capitalized lease obligation	336,146	-	88,086	248,060	92,068
Other postemployment benefits (Note 9)	26,126,098	2,046,389	803,534	27,368,953	-
Net pension liability (Notes 7 and 8)	159,490,820	-	32,365,550	127,125,270	-
Compensated absences	<u>830,281</u>	<u>91,557</u>	<u>-</u>	<u>921,838</u>	<u>921,838</u>
Totals	<u>\$ 437,832,807</u>	<u>\$ 7,305,006</u>	<u>\$ 47,074,661</u>	<u>\$ 398,063,152</u>	<u>\$ 13,601,421</u>
 <u>Business-Type Activities:</u>					
	Balance July 1, 2014 as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Net pension liability (Notes 7 and 8)	<u>\$ 1,149,180</u>	<u>\$ -</u>	<u>\$ 312,450</u>	<u>\$ 836,730</u>	<u>\$ -</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 capitalized lease obligations are made from the General Fund and the Special Reserve for Capital Outlay Projects Fund. Payments on the other postemployment benefits, net pension liability and compensated absences are made from the Fund for which the related employee worked.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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**NOTE 6 - NET POSITION / FUND BALANCES**

Restricted net position consisted of the following at June 30, 2015:

	Governmental <u>Activities</u>
Restricted for unspent categorical program revenues	\$ 8,917,693
Restricted for special revenues	4,892,418
Restricted for capital projects	11,476,513
Restricted for debt service	<u>17,746,360</u>
	<u>\$ 43,032,984</u>
	Business-Type <u>Activities</u>
Restricted for student care center	<u>\$ 575,040</u>
	Fiduciary <u>Activities</u>
Restricted for retiree benefits	<u>\$ 7,575,445</u>

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 6 - NET POSITION / FUND BALANCES** (Continued)

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
<b>Nonspendable:</b>						
Revolving cash fund	\$ 75,000	\$ -	-	\$ -	\$ 10,000	\$ 85,000
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,219</u>	<u>15,219</u>
Subtotal nonspendable	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,219</u>	<u>100,219</u>
<b>Restricted:</b>						
Unspent categorical revenues	8,917,693	-	-	-	-	8,917,693
Special revenue	-	-	-	-	4,867,199	4,867,199
Capital projects	-	970,098	5,102,004	-	5,406,390	11,478,492
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,746,360</u>	<u>-</u>	<u>17,746,360</u>
Subtotal restricted	<u>8,917,693</u>	<u>970,098</u>	<u>5,102,004</u>	<u>17,746,360</u>	<u>10,273,589</u>	<u>43,009,744</u>
<b>Assigned:</b>						
Common Core/Textbook	3,220,421	-	-	-	-	3,220,421
School site carryover	1,172,556	-	-	-	-	1,172,556
Department carryover	1,231,571	-	-	-	-	1,231,571
English learner	3,658,761	-	-	-	-	3,658,761
Other assigned	<u>2,923,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,923,776</u>
Subtotal assigned	<u>12,207,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,207,085</u>
<b>Unassigned:</b>						
Designated for economic uncertainty	4,875,000	-	-	-	-	4,875,000
Undesignated	<u>338,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,847</u>
Subtotal unassigned	<u>5,213,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,213,847</u>
<b>Total fund balances</b>	<u>\$ 26,413,625</u>	<u>\$ 970,098</u>	<u>\$ 5,102,004</u>	<u>\$ 17,746,360</u>	<u>\$ 10,298,808</u>	<u>\$ 60,530,895</u>

(Continued)

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN**

*General Information about the State Teachers' Retirement Plan*

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

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

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

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

*CalSTRS 2% at 60*

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

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

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(Continued)

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

*CalSTRS 2% at 62*

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

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

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

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2013-14. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

*Employers* – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$7,014,586 to the plan for the fiscal year ended June 30, 2015.

*State* - 5.954 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

\* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	\$ 100,071,000
State’s proportionate share of the net pension liability associated with the District	<u>60,427,000</u>
Total	<u>\$ 160,498,000</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District’s proportion was 0.171 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$10,107,503 and revenue of \$4,012,489 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	24,642,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>7,014,586</u>	<u>-</u>
Total	<u>\$ 7,014,586</u>	<u>\$ 24,642,000</u>

\$7,014,586 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 6,160,500
2017	\$ 6,160,500
2018	\$ 6,160,500
2019	\$ 6,160,500

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

\* 10-year geometric average

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	<u>\$155,984,000</u>	<u>\$100,071,000</u>	<u>\$ 53,449,000</u>

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

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B**

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

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

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

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

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

*Members* - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

*Employers* - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$3,220,090 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$27,891,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District’s proportion was 0.246 percent, which was an decrease of 0.002 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$2,385,492. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	9,584,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	265,500
Contributions made subsequent to measurement date	<u>3,220,090</u>	<u>-</u>
Total	<u>\$ 3,220,090</u>	<u>\$ 9,849,500</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

\$3,220,090 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>		
2016		\$ 2,484,500
2017		\$ 2,484,500
2018		\$ 2,484,500
2019		\$ 2,396,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

\* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District’s proportionate share of the net pension liability	<u>\$ 48,791,000</u>	<u>\$ 27,891,000</u>	<u>\$ 10,168,000</u>

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

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Notes 7 and 8, 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.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 9 - 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	\$ 1,001,345
Interest on net OPEB obligation	1,045,044
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	2,046,389
Contributions made	<u>803,534</u>
Increase in net OPEB obligation	1,242,855
Net OPEB obligation - beginning of year	<u>26,126,098</u>
Net OPEB obligation - end of year	<u><u>\$ 27,368,953</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, 2015 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, 2013	\$ (2,357,204)	-29.5%	\$ 24,929,954
June 30, 2014	\$ 1,966,166	25.7%	\$ 26,126,098
June 30, 2015	\$ 2,046,389	39.3%	\$ 27,368,953

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 single employer pay-as-you-go plan and does not prepare stand-alone financial statements.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE 9 - 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.

**NOTE 10 - 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of condensed financial information of SELF as of June 30, 2015 and SIA as of June 30, 2014 (the latest information available):

	<u>SELF</u>	<u>SIA</u>
Total assets	\$ 154,727,271	\$ 113,740,483
Deferred outflows of resources	\$ 99,437	\$ -
Total liabilities	\$ 122,470,926	\$ 48,361,972
Deferred inflows of resources	\$ 166,153	\$ -
Net position	\$ 32,189,629	\$ 65,378,511
Total revenue	\$ 11,968,752	\$ 41,969,923
Total expenses	\$ 23,063,637	\$ 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.

(Continued)

**NOTE 11 - CONTINGENCIES**

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

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

**NOTE 12 -SUBSEQUENT EVENTS**

In July 2015 the District issued \$30,000,000 of Election of 2012 General Obligation Bonds, Series B (School Facilities Improvement District No. 4) to to finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities and costs related thereto, as approved by voters, for schools in Improvement District No. 4. The bonds mature in varying amounts through October 2040 with interest rates from 3.0% to 5.0%.

In July 2015 the District issued \$11,430,000 of 2015 General Obligation Refunding Bonds (School Facilities Improvement District No. 4) to refund a portion the Election of 2006 General Obligation Bonds, Series A. The bonds mature in varying amounts through October 2022 with interest rates from 2.0% to 5.0%.

In July 2015 the District issued \$40,000,000 of Election of 2014 General Obligation Bonds, Series A (School Facilities Improvement District No. 5) to to finance the renovation, acquisition, construction, repair, and equipping of classrooms, schools, sites, and facilities and costs related thereto, as approved by voters, for schools in Improvement District No. 5. The bonds mature in varying amounts through October 2040 with interest rates from 2.0% to 5.0%.

**REQUIRED SUPPLEMENTARY INFORMATION**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 88,518,336	\$ 86,097,820	\$ 85,663,255	\$ (434,565)
Local sources	<u>38,247,438</u>	<u>41,643,535</u>	<u>42,199,478</u>	<u>555,943</u>
Total LCFF	<u>126,765,774</u>	<u>127,741,355</u>	<u>127,862,733</u>	<u>121,378</u>
Federal sources	7,186,703	7,156,299	7,059,529	(96,770)
Other state sources	15,380,978	16,957,988	21,347,163	4,389,175
Other local sources	<u>4,640,526</u>	<u>6,358,210</u>	<u>6,509,788</u>	<u>151,578</u>
Total revenues	<u>153,973,981</u>	<u>158,213,852</u>	<u>162,779,213</u>	<u>4,565,361</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	74,693,642	78,351,864	78,148,620	203,244
Classified salaries	26,329,082	27,860,360	27,435,100	425,260
Employee benefits	24,526,199	30,037,529	29,961,435	76,094
Books and supplies	7,836,995	8,012,084	7,631,975	380,109
Contract services and operating expenditures	16,365,477	16,101,712	15,782,356	319,356
Other outgo	236,384	1,804,783	210,137	1,594,646
Capital outlay	1,483,554	3,176,359	3,044,294	132,065
Debt service:				
Principal retirement	3,094	-	51,536	(51,536)
Interest	<u>-</u>	<u>-</u>	<u>11,284</u>	<u>(11,284)</u>
Total expenditures	<u>151,474,427</u>	<u>165,344,691</u>	<u>162,276,737</u>	<u>3,067,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,499,554</u>	<u>(7,130,839)</u>	<u>502,476</u>	<u>7,633,315</u>
<b>Other financing sources (uses):</b>				
Transfers in	612,427	476,342	491,581	15,239
Transfers out	<u>(1,572,589)</u>	<u>-</u>	<u>(2,526,593)</u>	<u>(2,526,593)</u>
Total other financing sources (uses)	<u>(960,162)</u>	<u>476,342</u>	<u>(2,035,012)</u>	<u>(2,511,354)</u>
Net change in fund balance	1,539,392	(6,654,497)	(1,532,536)	5,121,961
Fund balance, July 1, 2014	<u>27,946,161</u>	<u>27,946,161</u>	<u>27,946,161</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 29,485,553</u>	<u>\$ 21,291,664</u>	<u>\$ 26,413,625</u>	<u>\$ 5,121,961</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	<u>Schedule of Funding Progress</u>		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)			
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%

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2015

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.171%
District's proportionate share of the net pension liability	\$ 100,071,000
State's proportionate share of the net pension liability associated with the District	<u>60,427,000</u>
Total net pension liability	<u>\$ 160,498,000</u>
District's covered-employee payroll	\$ 76,273,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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

All years prior to 2015 are not available.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2015

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.246%
District's proportionate share of the net pension liability	\$ 27,891,000
District's covered-employee payroll	\$ 27,356,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.96%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

All years prior to 2015 are not available.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2015

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 7,014,586
Contributions in relation to the contractually required contribution	\$ 7,014,586
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 78,993,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2015

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 3,220,090
Contributions in relation to the contractually required contribution	\$ 3,220,090
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 27,356,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

**NOTE 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.

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.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

**SUPPLEMENTARY INFORMATION**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2015

	Charter School Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Projects Fund	Total
<b>ASSETS</b>								
Cash in County Treasury	\$ 64,480	\$ 795,510	\$ 90,817	\$ 617,955	\$ 1,701,801	\$ -	\$ 5,170,480	\$ 8,441,043
Cash on hand and in banks	-	65,520	-	5,788	-	-	17,104	88,412
Cash in revolving fund	10,000	-	-	-	-	-	-	10,000
Receivables	12,905	58,879	85,355	843,421	2,348	-	11,617	1,014,525
Due from other funds	332,313	135,356	5,366	53,928	555,796	-	215,000	1,297,759
Stores inventory	-	-	-	15,219	-	-	-	15,219
Total assets	<u>\$ 419,698</u>	<u>\$ 1,055,265</u>	<u>\$ 181,538</u>	<u>\$ 1,536,311</u>	<u>\$ 2,259,945</u>	<u>\$ -</u>	<u>\$ 5,414,201</u>	<u>\$ 10,866,958</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 22,714	\$ 18,139	\$ 70,137	\$ 174,118	\$ 21,432	\$ -	\$ 7,811	\$ 314,351
Due to other funds	<u>196,098</u>	<u>300</u>	<u>44,702</u>	<u>12,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,799</u>
Total liabilities	<u>218,812</u>	<u>18,439</u>	<u>114,839</u>	<u>186,817</u>	<u>21,432</u>	<u>-</u>	<u>7,811</u>	<u>568,150</u>
Fund balances:								
Nonspendable	10,000	-	-	15,219	-	-	-	25,219
Restricted	<u>190,886</u>	<u>1,036,826</u>	<u>66,699</u>	<u>1,334,275</u>	<u>2,238,513</u>	<u>-</u>	<u>5,406,390</u>	<u>10,273,589</u>
Total fund balances	<u>200,886</u>	<u>1,036,826</u>	<u>66,699</u>	<u>1,349,494</u>	<u>2,238,513</u>	<u>-</u>	<u>5,406,390</u>	<u>10,298,808</u>
Total liabilities and fund balances	<u>\$ 419,698</u>	<u>\$ 1,055,265</u>	<u>\$ 181,538</u>	<u>\$ 1,536,311</u>	<u>\$ 2,259,945</u>	<u>\$ -</u>	<u>\$ 5,414,201</u>	<u>\$ 10,866,958</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, 2015

	Charter School Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Projects Fund	Total
Revenues:								
LCFF:								
State apportionment	\$ 584,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 584,644
Local sources	<u>332,313</u>	<u>324,626</u>	<u>-</u>	<u>-</u>	<u>650,566</u>	<u>-</u>	<u>-</u>	<u>1,307,505</u>
Total LCFF	<u>916,957</u>	<u>324,626</u>	<u>-</u>	<u>-</u>	<u>650,566</u>	<u>-</u>	<u>-</u>	<u>1,892,149</u>
Federal sources	-	197,773	-	3,502,619	-	-	-	3,700,392
Other state sources	60,747	27,022	1,200,997	516,301	-	865,101	-	2,670,168
Other local sources	<u>8,299</u>	<u>438,093</u>	<u>1,157</u>	<u>1,460,077</u>	<u>2,348</u>	<u>-</u>	<u>428,571</u>	<u>2,338,545</u>
Total revenues	<u>986,003</u>	<u>987,514</u>	<u>1,202,154</u>	<u>5,478,997</u>	<u>652,914</u>	<u>865,101</u>	<u>428,571</u>	<u>10,601,254</u>
Expenditures:								
Current:								
Certificated salaries	467,808	626,218	44,995	-	-	-	-	1,139,021
Classified salaries	44,381	183,598	650,248	1,916,729	139,692	-	-	2,934,648
Employee benefits	106,165	199,107	230,991	619,462	34,333	-	-	1,190,058
Books and supplies	126,399	108,888	111,358	2,719,133	72,845	-	-	3,138,623
Contract services and operating expenditures	272,514	44,114	40,111	169,106	849,516	-	-	1,375,361
Capital outlay	-	7,122	62,919	8,568	25,084	-	97,302	200,995
Debt service:								
Principal retirement	-	-	1,040	2,120	-	-	36,550	39,710
Interest	<u>-</u>	<u>-</u>	<u>696</u>	<u>1,416</u>	<u>-</u>	<u>-</u>	<u>4,051</u>	<u>6,163</u>
Total expenditures	<u>1,017,267</u>	<u>1,169,047</u>	<u>1,142,358</u>	<u>5,436,534</u>	<u>1,121,470</u>	<u>-</u>	<u>137,903</u>	<u>10,024,579</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(31,264)</u>	<u>(181,533)</u>	<u>59,796</u>	<u>42,463</u>	<u>(468,556)</u>	<u>865,101</u>	<u>290,668</u>	<u>576,675</u>
Other financing sources (uses):								
Transfers in	-	135,356	1,736	53,008	1,150,000	-	200,000	1,540,100
Transfers out	<u>-</u>	<u>-</u>	<u>(61,896)</u>	<u>(565,281)</u>	<u>-</u>	<u>(865,101)</u>	<u>-</u>	<u>(1,492,278)</u>
Total other financing sources (uses)	<u>-</u>	<u>135,356</u>	<u>(60,160)</u>	<u>(512,273)</u>	<u>1,150,000</u>	<u>(865,101)</u>	<u>200,000</u>	<u>47,822</u>
Net change in fund balances	(31,264)	(46,177)	(364)	(469,810)	681,444	-	490,668	624,497
Fund balances, July 1, 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>-</u>	<u>4,915,722</u>	<u>9,674,311</u>
Fund balances, June 30, 2015	<u>\$ 200,886</u>	<u>\$ 1,036,826</u>	<u>\$ 66,699</u>	<u>\$ 1,349,494</u>	<u>\$ 2,238,513</u>	<u>\$ -</u>	<u>\$ 5,406,390</u>	<u>\$ 10,298,808</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2015

	Balance July 1, 2014	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2015
<b>Deferred Compensation</b>				
Assets:				
Cash on hand and in banks	\$ -	\$ -	\$ -	\$ -
Deferred compensation	<u>830,282</u>	<u>91,557</u>	<u>-</u>	<u>921,839</u>
Total assets	<u>\$ 830,282</u>	<u>\$ 91,557</u>	<u>\$ -</u>	<u>\$ 921,839</u>
Liabilities:				
Deferred compensation	\$ 830,282	\$ 91,557	\$ -	\$ 921,839
Due to student groups	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 830,282</u>	<u>\$ 91,557</u>	<u>\$ -</u>	<u>\$ 921,839</u>
<b>Student Body</b>				
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 668,623	\$ 1,903,881	\$ 1,664,465	\$ 908,039
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 668,623</u>	<u>\$ 1,903,881</u>	<u>\$ 1,664,465</u>	<u>\$ 908,039</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>668,623</u>	<u>1,903,881</u>	<u>1,664,465</u>	<u>908,039</u>
Total liabilities	<u>\$ 668,623</u>	<u>\$ 1,903,881</u>	<u>\$ 1,664,465</u>	<u>\$ 908,039</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 321,226	\$ 326,717	\$ 272,830	\$ 375,113
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 321,226</u>	<u>\$ 326,717</u>	<u>\$ 272,830</u>	<u>\$ 375,113</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>321,226</u>	<u>326,717</u>	<u>272,830</u>	<u>375,113</u>
Total liabilities	<u>\$ 321,226</u>	<u>\$ 326,717</u>	<u>\$ 272,830</u>	<u>\$ 375,113</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2015

	Balance July 1, 2014	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2015
<b>Student Body (Continued)</b>				
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 219,084	\$ 682,297	\$ 687,002	\$ 214,379
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 219,084</u>	<u>\$ 682,297</u>	<u>\$ 687,002</u>	<u>\$ 214,379</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>219,084</u>	<u>682,297</u>	<u>687,002</u>	<u>214,379</u>
Total liabilities	<u>\$ 219,084</u>	<u>\$ 682,297</u>	<u>\$ 687,002</u>	<u>\$ 214,379</u>
<b>Total Agency Funds</b>				
Assets:				
Cash on hand and in banks	\$ 1,208,933	\$ 2,912,895	\$ 2,624,297	\$ 1,497,531
Deferred compensation	<u>830,282</u>	<u>91,557</u>	<u>-</u>	<u>921,839</u>
Total assets	<u>\$ 2,039,215</u>	<u>\$ 3,004,452</u>	<u>\$ 2,624,297</u>	<u>\$ 2,419,370</u>
Liabilities:				
Deferred compensation	\$ 830,282	\$ 91,557	\$ -	\$ 921,839
Due to student groups	<u>1,208,933</u>	<u>2,912,895</u>	<u>2,624,297</u>	<u>1,497,531</u>
Total liabilities	<u>\$ 2,039,215</u>	<u>\$ 3,004,452</u>	<u>\$ 2,624,297</u>	<u>\$ 2,419,370</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2015

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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>
Teresa Stanley	President	2016
JoAnne Reinking	Vice President	2016
Edward Short	Clerk	2018
Sarah Aquino	Member	2018
Zak Ford	Member	2018

ADMINISTRATION

Deborah Bettencourt  
Superintendent

Rhonda Crawford  
Chief Financial Officer/CBO

Curtis Wilson  
Assistant Superintendent, Elementary Instruction

Kathryn Allman  
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, 2015

	Second Period <u>Report</u>	Revised* Second Period <u>Report</u>	Annual <u>Report</u>
<b>DISTRICT</b>			
Elementary:			
Transitional Kindergarten through Third	5,588	5,588	5,616
Fourth through Sixth	4,386	4,386	4,374
Seventh and Eighth	2,869	2,869	2,861
Special Education	20	20	21
Community Day School	<u>17</u>	<u>17</u>	<u>17</u>
Subtotal Elementary	<u>12,880</u>	<u>12,880</u>	<u>12,889</u>
Secondary:			
Ninth through Twelfth	5,491	5,491	5,461
Special Education	28	28	31
Community Day School	<u>20</u>	<u>20</u>	<u>20</u>
Subtotal Secondary	<u>5,539</u>	<u>5,539</u>	<u>5,512</u>
District Totals	<u><u>18,419</u></u>	<u><u>18,419</u></u>	<u><u>18,401</u></u>
<b>CHARTER SCHOOL</b>			
Folsom Community Charter School (Nonclassroom Based):			
Transitional Kindergarten through Third	53		53
Fourth through Sixth	55		56
Seventh and Eighth	<u>37</u>		<u>36</u>
Charter School Total	<u><u>145</u></u>		<u><u>145</u></u>

\* The District made reclassifications to the Second Period Report of Attendance. The Charter School did not revise the Second Period or Annual Reports of Attendance.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2015

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<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>Reduced Minutes Require- ment</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b>DISTRICT</b>					
Kindergarten	36,000	35,000	35,577	177	In Compliance
Grade 1	50,400	49,000	51,804	177	In Compliance
Grade 2	50,400	49,000	51,804	177	In Compliance
Grade 3	50,400	49,000	53,124	177	In Compliance
Grade 4	54,000	52,500	53,124	177	In Compliance
Grade 5	54,000	52,500	53,124	177	In Compliance
Grade 6	54,000	52,500	53,124	177	In Compliance
Grade 7	54,000	52,500	60,295	177	In Compliance
Grade 8	54,000	52,500	60,295	177	In Compliance
Grade 9	64,800	63,000	63,733	177	In Compliance
Grade 10	64,800	63,000	63,733	177	In Compliance
Grade 11	64,800	63,000	63,733	177	In Compliance
Grade 12	64,800	63,000	63,733	177	In Compliance

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See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2015

<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 Expend- itures</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	\$ 2,844,918
84.173A	Special Education: IDEA Preschool Staff Development	13431	1,918
84.173	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13430	98,401
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	13682	150,196
84.027A	Special Education: IDEA Mental Health Services, Part B, Sec 611	14468	<u>217,121</u>
	Subtotal Special Education Cluster		<u>3,312,554</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	79,769
84.002	Adult Education: Adult Secondary Education	13978	82,148
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	<u>35,856</u>
	Subtotal Adult Education Programs		<u>197,773</u>
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	2,369,196
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	300,526
84.330B	NCLB: Title I, Part G, Advanced Placement Test Fee	-	6,771
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	636,181
84.048	Carl D.Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	137,375
84.181	Special Education: IDEA Early Intervention Grants, Part C	23761	<u>91,745</u>
	Total U.S. Department of Education		<u>7,052,121</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2015

<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 Expend- itures</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	177,468
93.778	Dept of Health Care Services (DHCS): Medi-Cal Administrative Activities (MAA)	10060	<u>27,713</u>
	Total U.S. Department of Health and Human Services		<u>205,181</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	<u>3,502,619</u>
	Total Federal Programs		<u>\$ 10,759,921</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, 2015

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	Student Care Fund
June 30, 2015 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 1,610,652
Adjustment for implementation of GASB 68	<u>(1,035,612)</u>
June 30, 2015 Audit Financial Statements Ending Fund Balance	<u>\$ 575,040</u>

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

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See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 For the Year Ended June 30, 2015  
 (Unaudited)

	(Budgeted) 2016	2015	2014	2013
<b>General Fund</b>				
Revenues and other financing sources	<u>\$182,967,630</u>	<u>\$163,270,794</u>	<u>\$148,172,456</u>	<u>\$140,381,414</u>
Expenditures	174,138,310	162,276,737	152,977,662	136,455,489
Other uses and transfers out	<u>1,494,139</u>	<u>2,526,593</u>	<u>1,572,589</u>	<u>1,986,772</u>
Total outgo	<u>175,632,449</u>	<u>164,803,330</u>	<u>154,550,251</u>	<u>138,442,261</u>
Changes in fund balance	<u>\$ 7,335,181</u>	<u>\$ (1,532,536)</u>	<u>\$ (6,377,795)</u>	<u>\$ 1,939,153</u>
Ending fund balance	<u>\$ 33,748,806</u>	<u>\$ 26,413,625</u>	<u>\$ 27,946,161</u>	<u>\$ 34,323,956</u>
Available reserves	<u>\$ 8,138,833</u>	<u>\$ 5,213,848</u>	<u>\$ 5,221,527</u>	<u>\$ 6,053,198</u>
Designated for economic uncertainties	<u>\$ 5,300,000</u>	<u>\$ 4,875,000</u>	<u>\$ 4,770,000</u>	<u>\$ 4,356,000</u>
Undesignated fund balance	<u>\$ 2,838,833</u>	<u>\$ 338,848</u>	<u>\$ 451,527</u>	<u>\$ 1,697,198</u>
Available reserves as percentages of total outgo	<u>4.63%</u>	<u>3.16%</u>	<u>3.4%</u>	<u>4.4%</u>
<b>All Funds</b>				
Total long-term liabilities	<u>\$455,298,461</u>	<u>\$398,063,152</u>	<u>\$278,341,987</u>	<u>\$255,836,681</u>
Average daily attendance at P-2	<u>18,419</u>	<u>18,419</u>	<u>18,396</u>	<u>18,305</u>

The General Fund fund balance has decreased by \$5,971,178 over the past three years. The fiscal year 2015-2016 budget projects an increase of \$7,335,181. 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 deficits in two of the past three years, and anticipates incurring an operating surplus during the fiscal year 2015-2016.

Total long-term liabilities have increased by \$142,226,471 over the past two years, primarily due to debt issuance and recognition of net pension liability.

Average daily attendance has increased by 114 over the past two years. No change in ADA is projected for the 2015-2016 fiscal year.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2015

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Charter Schools Chartered by District

Included in District  
Financial Statements, or  
Separate Report

Folsom Community Charter School

Included in District Financial  
Statements as Charter School  
Fund.

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See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES  
For the Year Ended June 30, 2015

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	<u>First 5 Sacramento</u>
Revenues:	
Other local sources	\$ <u>482,414</u>
Expenditures:	
Certificated salaries	97,460
Classified salaries	222,022
Employee benefits	77,689
Books and supplies	25,033
Contract services and operating expenditures	33,893
Indirect costs	<u>26,317</u>
	<u>482,414</u>
Net income	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u>\$ -</u>

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See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION

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**NOTE 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. There were no reconciling items for the year ended June 30, 2015.

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2015-2016 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.

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2015, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2015.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

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 programs.

The District does not have Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High Schools.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 on 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, 2015. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

  
Crowe Horwath LLP

Sacramento, California  
December 11, 2015

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, 2015, 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 11, 2015.

#### **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 2015-001.

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(Continued)

## 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*.

## Response to Finding

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 11, 2015

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, 2015. 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, 2015.

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(Continued)

## **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 11, 2015

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, 2015.

***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, 2015.



Crowe Horwath LLP

Sacramento, California  
December 11, 2015

## **FINDINGS AND RECOMMENDATIONS**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2015

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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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 322,798

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

**STATE AWARDS**

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

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2015-001 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 Middle School, cash receipts were not supported by detailed schedules defining the number of items received and the unit price per item.

Effect

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

Cause

Adequate internal control procedures have not been consistently followed.

Fiscal Impact

Not determinable.

Recommendation

School sites should implement the proper control procedures in order to protect ASB funds from misappropriation.

Corrective Action Plan

The District will work with the site on creating and using itemized receipts at the time of sales. Fiscal Services will check in to make sure they are using the new process.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

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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, 2015

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<b>2014-001</b>	Partially Implemented.	See current year finding 2015-001.
At Folsom High School:		
<ul style="list-style-type: none"><li>• There are no written records of how much money is put into the safe on a daily basis.</li><li>• Cash turned in is not identified with numbered receipts or count sheets to verify dual count of cash on a daily basis.</li><li>• Inventory sold is not recorded or reconciled at any time, only purchased as needed.</li></ul>		
At Sutter Middle School the same person collecting the funds is also depositing the funds into the bank.		
Recommendations:		
<ul style="list-style-type: none"><li>• Records should be maintained indicating how much money is held in the safe at any given time.</li><li>• Cash turned in should be supported by receipts or tally sheets, to include evidence that it was counted in dual custody.</li><li>• Inventory should be performed.</li><li>• The person collecting funds should not also deposit the funds.</li></ul>		