

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2016

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

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WITH SUPPLEMENTARY INFORMATION  
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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, 2016, 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, 2016, 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)

## **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 56 to 61 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 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 13, 2016

## 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

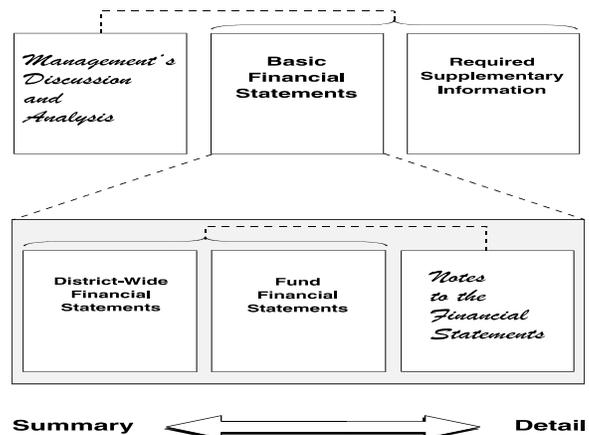
This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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 inflows 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, 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 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 capital 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.

|                                  | <b>Governmental Activities</b> |                      | <b>Percentage</b> |
|----------------------------------|--------------------------------|----------------------|-------------------|
|                                  | <b>2015</b>                    | <b>2016</b>          | <b>Change</b>     |
|                                  |                                |                      | <b>2015-2016</b>  |
| Current and other assets         | \$ 72,397,291                  | \$ 135,663,200       |                   |
| Capital assets                   | <u>458,369,181</u>             | <u>472,629,810</u>   |                   |
| <b>Total assets</b>              | 530,766,472                    | 608,293,010          | 14.61%            |
| Deferred outflows of resources   | 11,465,542                     | 18,007,207           |                   |
| Long-term debt outstanding       | 398,063,152                    | 487,145,826          |                   |
| Other liabilities                | <u>13,174,723</u>              | <u>16,641,466</u>    |                   |
| <b>Total liabilities</b>         | 411,237,875                    | 503,787,292          | 22.51%            |
| Deferred inflows of resources    | 34,196,015                     | 15,300,815           |                   |
| Net investment in capital assets | 216,129,700                    | 249,456,144          |                   |
| Restricted                       | 43,032,984                     | 55,266,928           |                   |
| Unrestricted                     | <u>(162,364,560)</u>           | <u>(197,510,962)</u> |                   |
| <b>Total net position</b>        | \$ 96,798,124                  | \$ 107,212,110       | 10.76%            |

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

|   | <b>Governmental Activities</b> |                       |
|---|--------------------------------|-----------------------|
|   | <b><u>2015</u></b>             | <b><u>2016</u></b>    |
| <b>Revenues</b>                             |                                |                       |
| Program Revenues:                           |                                |                       |
| Charges for Services                        | \$ 1,447,066                   | \$ 1,472,051          |
| Operating Grants                            | 31,567,924                     | 41,635,675            |
| Capital Grants and Contributions            | 865,101                        | 951,570               |
| General Revenues                            |                                |                       |
| Property Taxes                              | 61,972,733                     | 65,379,883            |
| Federal and State Aid                       | 90,943,345                     | 116,344,798           |
| Other                                       | 16,535,557                     | 13,614,393            |
| Total Revenues                              | <u>203,331,726</u>             | <u>239,398,370</u>    |
| <b>Program Expenses</b>                     |                                |                       |
| Instruction                                 | 118,504,039                    | 134,888,512           |
| Instruction Related Services                | 19,841,807                     | 23,264,914            |
| Pupil Services                              | 17,912,024                     | 20,103,535            |
| Ancillary Services                          | 3,033,953                      | 3,509,090             |
| Data Processing                             | 2,419,787                      | 2,812,043             |
| General Administration                      | 7,801,842                      | 8,143,696             |
| Plant Services                              | 16,830,238                     | 17,926,596            |
| Interest                                    | 13,392,215                     | 18,353,760            |
| Other                                       | 810,137                        | (36,144)              |
| Enterprise activities                       | (15,595)                       | 18,382                |
| Total Expenses                              | <u>200,530,447</u>             | <u>228,984,384</u>    |
| Change in net position                      | 2,801,279                      | 10,413,986            |
| Net Position – Beginning                    | <u>244,332,671</u>             | <u>96,798,124</u>     |
| Cumulative effect of GASB 68 implementation | <u>(150,335,826)</u>           |                       |
| Net Position – Beginning, as restated       | <u>93,996,845</u>              | <u>96,798,124</u>     |
| Net Position – Ending                       | <u>\$ 96,798,124</u>           | <u>\$ 107,212,110</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</b>       |
|----------------------------------|---------------------|--------------------|-------------------------|
|                                  | <b><u>2015</u></b>  | <b><u>2016</u></b> | <b><u>Change</u></b>    |
|                                  |                     |                    | <b><u>2015-2016</u></b> |
| Total Revenues                   | \$162,779,213       | \$197,099,693      |                         |
| Expenses                         | 162,276,737         | 185,340,303        |                         |
| Other financing sources (uses)   | <u>-2,035,012</u>   | <u>-1,678,062</u>  |                         |
| Excess of revenues over expenses | \$ -1,532,536       | \$ 10,081,328      | 757.8%                  |

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 \$28,420,805 in modernization and new construction from the following combined sources for 2015-16. This represents a 3.5% decrease from last year's amount of \$29,460,351.

|                      | <b>Governmental Activities</b> |                    | <b>Percentage</b>       |
|----------------------|--------------------------------|--------------------|-------------------------|
|                      | <b><u>2015</u></b>             | <b><u>2016</u></b> | <b><u>Change</u></b>    |
|                      |                                |                    | <b><u>2015-2016</u></b> |
| Land                 | \$49,116,097                   | \$49,116,097       |                         |
| Improvement of sites | 29,572,450                     | 29,743,086         |                         |
| Buildings            | 497,116,675                    | 498,859,873        |                         |
| Equipment            | 35,664,372                     | 35,720,155         |                         |
| Work-in-process      | <u>35,548,891</u>              | <u>62,000,079</u>  |                         |
| Total                | \$647,018,485                  | \$675,439,290      | 4.4%                    |

## **District Indebtedness**

At year-end, the District has incurred \$487,145,826 of long-term debt. Of that, \$294,961,767 is General Obligation Bonds secured by property tax increases voted on by local residents. In July 2015, the District issued Election of 2012 General Obligation Bonds, Series B in an aggregate principal amount of \$30,000,000. In July 2015, the District issued Election of 2014 General Obligation Bonds, Series A in an aggregate principal amount of \$40,000,000.

|                                  | <b>Governmental Activities</b> |                    | <b>Percentage</b>       |
|----------------------------------|--------------------------------|--------------------|-------------------------|
|                                  | <b><u>2015</u></b>             | <b><u>2016</u></b> | <b><u>Change</u></b>    |
|                                  |                                |                    | <b><u>2015-2016</u></b> |
| Compensated absences             | \$ 921,838                     | \$ 987,393         |                         |
| Certificates of participation    | 18,832,349                     | 15,060,000         |                         |
| General obligation bonds         | 223,566,682                    | 294,961,767        |                         |
| Capital lease                    | 248,060                        | 156,002            |                         |
| Net pension liability            | 127,125,270                    | 149,900,778        |                         |
| Post-employment medical benefits | <u>27,368,953</u>              | <u>26,079,886</u>  |                         |
| Total                            | \$ 398,063,152                 | \$ 487,145,826     | 22.38%                  |

### **Cost of Governmental Services**

At year-end, the District's General Fund cost of operation was \$185,340,303. Total District expenditures were \$23,063,566 more than the previous year due to step and column adjustments, Board approved new position, program costs, staff development and sites spending carryover money.

|                        | <b>General Fund</b> |                    | <b>Percentage</b>       |
|------------------------|---------------------|--------------------|-------------------------|
|                        | <b><u>2015</u></b>  | <b><u>2016</u></b> | <b><u>Change</u></b>    |
|                        |                     |                    | <b><u>2015-2016</u></b> |
| Instruction            | \$119,158,355       | \$138,327,870      |                         |
| Pupil services         | 12,298,096          | 14,767,190         |                         |
| Ancillary services     | 3,049,592           | 3,519,049          |                         |
| General Administration | 8,574,371           | 9,918,557          |                         |
| Plant Services         | 18,628,369          | 18,260,929         |                         |
| Other Outgo            | <u>567,954</u>      | <u>546,708</u>     |                         |
| Total                  | \$162,276,737       | \$185,340,303      | 14.2%                   |

### **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:

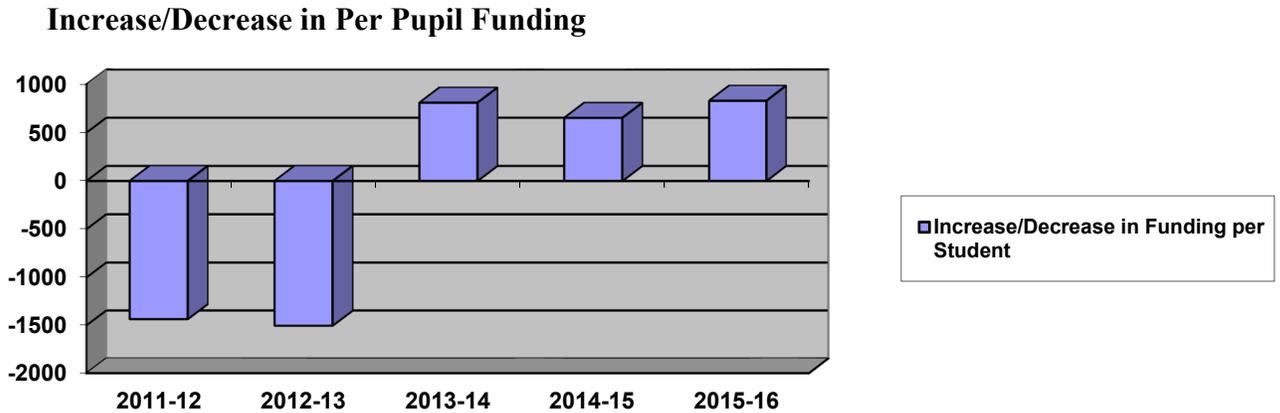
|                            | <b>Estimated June</b> | <b>Actual</b>      | <b>Percentage</b>      |
|----------------------------|-----------------------|--------------------|------------------------|
|                            | <b><u>2016</u></b>    | <b><u>2016</u></b> | <b><u>e</u></b>        |
|                            |                       |                    | <b><u>Variance</u></b> |
| <b>Revenues</b>            |                       |                    |                        |
| LCFF                       | 147,089,651           | 147,252,518        |                        |
| Federal Revenues           | 9,424,526             | 9,385,163          |                        |
| State Revenues             | 27,444,489            | 33,457,986         |                        |
| Local Revenues             | <u>6,674,809</u>      | <u>7,004,026</u>   |                        |
| Total Revenues             | 190,633,475           | 197,099,693        | 3.4%                   |
| <b>Expenditures</b>        |                       |                    |                        |
| Salaries & Benefits        | 155,315,583           | 154,943,731        |                        |
| Books & Supplies           | 10,352,177            | 9,529,817          |                        |
| Services & Other Operating | 18,612,027            | 18,549,684         |                        |
| Capital Outlay/Other Outgo | <u>2,681,771</u>      | <u>2,317,071</u>   |                        |
| Total Expenditures         | 186,961,558           | 185,340,303        | (0.9%)                 |

Total budgeted revenues were \$6,466,218 lower than actual revenues received. Total expenditures were \$1,612,255 less than budgeted due to a portion of the textbook adoption not being received till 2016/17.

## Financial Issues

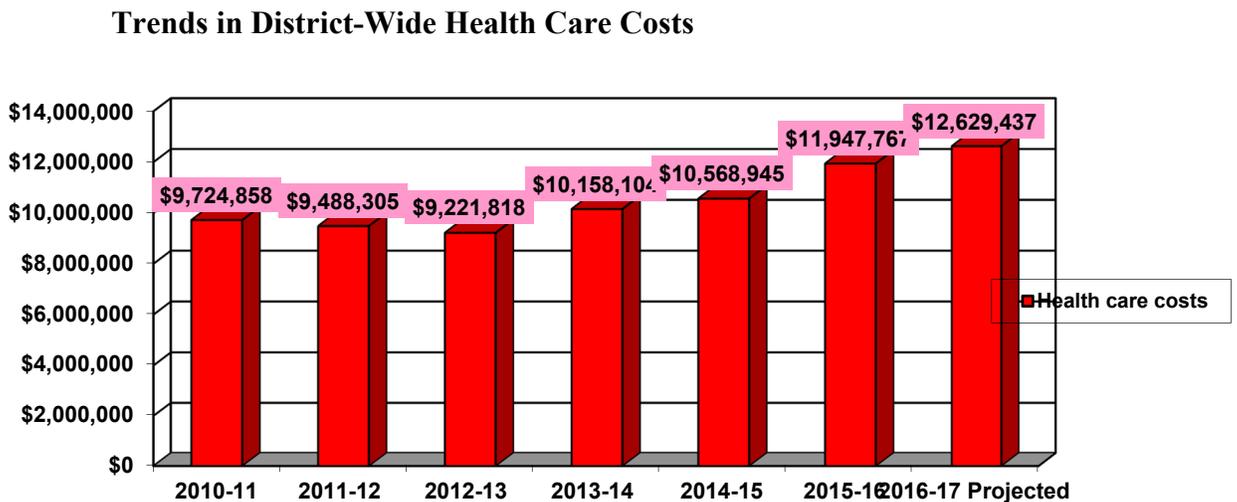
### Per Pupil Funding

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:



## **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.

## **BASIC FINANCIAL STATEMENTS**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2016

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>   |                            |                             |                       |
| Cash and investments (Note 2)   | \$ 128,447,523             | \$ 2,214,843                | \$ 130,662,366        |
| Receivables   | 7,190,512                  | 9,705                       | 7,200,217             |
| Prepaid expenses  | -                          | 2,177                       | 2,177                 |
| Stores inventory  | 25,165                     | -                           | 25,165                |
| Non-depreciable capital assets (Note 4)                                 | 111,116,176                | -                           | 111,116,176           |
| Depreciable capital assets, net of<br>accumulated depreciation (Note 4) | <u>361,513,634</u>         | <u>-</u>                    | <u>361,513,634</u>    |
| Total assets  | <u>608,293,010</u>         | <u>2,226,725</u>            | <u>610,519,735</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                   |                            |                             |                       |
| Deferred outflows of resources - pensions<br>(Notes 7 and 8)            | 15,158,540                 | 177,365                     | 15,335,905            |
| Deferred loss from refunding of debt                                    | <u>2,848,667</u>           | <u>-</u>                    | <u>2,848,667</u>      |
| Total deferred outflows of resources                                    | <u>18,007,207</u>          | <u>177,365</u>              | <u>18,184,572</u>     |
| <b>LIABILITIES</b>  |                            |                             |                       |
| Accounts payable  | 13,897,230                 | 35,287                      | 13,932,517            |
| Unearned revenue  | 2,610,002                  | -                           | 2,610,002             |
| Interagency balances (Note 3)   | 134,234                    | 465,766                     | 600,000               |
| Long-term liabilities (Note 5):   |                            |                             |                       |
| Due within one year   | 20,851,277                 | -                           | 20,851,277            |
| Due after one year  | <u>466,294,549</u>         | <u>1,101,222</u>            | <u>467,395,771</u>    |
| Total liabilities   | <u>503,787,292</u>         | <u>1,602,275</u>            | <u>505,389,567</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                    |                            |                             |                       |
| Deferred inflows of resources - pensions<br>(Notes 7 and 8)             | <u>15,300,815</u>          | <u>98,185</u>               | <u>15,399,000</u>     |
| <b>NET POSITION</b>   |                            |                             |                       |
| Net investment in capital assets  | 249,456,144                | -                           | 249,456,144           |
| Restricted:   |                            |                             |                       |
| Legally restricted programs   | 17,469,710                 | -                           | 17,469,710            |
| Capital projects  | 12,868,484                 | -                           | 12,868,484            |
| Debt service  | 24,928,734                 | -                           | 24,928,734            |
| Student care fund   | -                          | 703,630                     | 703,630               |
| Unrestricted  | <u>(197,510,962)</u>       | <u>-</u>                    | <u>(197,510,962)</u>  |
| Total net position  | <u>\$ 107,212,110</u>      | <u>\$ 703,630</u>           | <u>\$ 107,915,740</u> |

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

|   | 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   | \$ 134,888,512        | \$ 1,653             | \$ 26,564,586                      | \$ -                             | \$ (108,322,273)                                  | \$ -                     | \$ (108,322,273)      |
| Instruction-related services:                             |                       |                      |                                    |                                  |   |                          |                       |
| Supervision of instruction                                | 8,497,854             | 24                   | 3,802,925                          | -                                | (4,694,905)                                       | -                        | (4,694,905)           |
| Instructional library, media and technology               | 843,142               | 3                    | 957                                | -                                | (842,182)   | -                        | (842,182)             |
| School site administration                                | 13,923,918            | -                    | 1,097,208                          | -                                | (12,826,710)                                      | -                        | (12,826,710)          |
| Pupil services:   |                       |                      |                                    |                                  |   |                          |                       |
| Home-to-school transportation                             | 3,677,225             | -                    | 1,347                              | -                                | (3,675,878)                                       | -                        | (3,675,878)           |
| Food services   | 5,344,043             | 1,386,342            | 3,942,610                          | -                                | (15,091)  | -                        | (15,091)              |
| All other pupil services                                  | 11,082,267            | 413                  | 3,585,018                          | -                                | (7,496,836)                                       | -                        | (7,496,836)           |
| General administration:                                   |                       |                      |                                    |                                  |   |                          |                       |
| Data processing   | 2,812,043             | -                    | 4,269                              | -                                | (2,807,774)                                       | -                        | (2,807,774)           |
| All other general administration                          | 8,143,696             | 70,631               | 1,884,694                          | -                                | (6,188,371)                                       | -                        | (6,188,371)           |
| Plant services  | 17,926,596            | 60                   | 60,492                             | -                                | (17,866,044)                                      | -                        | (17,866,044)          |
| Ancillary services  | 3,509,090             | 845                  | 691,569                            | -                                | (2,816,676)                                       | -                        | (2,816,676)           |
| Enterprise activities                                     | 18,382                | -                    | -                                  | -                                | (18,382)  | -                        | (18,382)              |
| Interest on long-term liabilities                         | 18,353,760            | -                    | -                                  | -                                | (18,353,760)                                      | -                        | (18,353,760)          |
| Other outgo   | (36,144)              | 12,080               | -                                  | 951,570                          | 999,794   | -                        | 999,794               |
| Business-type activities:                                 |                       |                      |                                    |                                  |   |                          |                       |
| Enterprise activities                                     | <u>2,135,156</u>      | <u>3,408,410</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>1,273,254</u>         | <u>1,273,254</u>      |
| Total governmental and business-type activities           | <u>\$ 231,119,540</u> | <u>\$ 4,880,461</u>  | <u>\$ 41,635,675</u>               | <u>\$ 951,570</u>                | <u>(184,925,088)</u>                              | <u>1,273,254</u>         | <u>(183,651,834)</u>  |
| General revenues:   |                       |                      |                                    |                                  |   |                          |                       |
| Taxes and subventions:                                    |                       |                      |                                    |                                  |   |                          |                       |
| Taxes levied for general purposes                         |                       |                      |                                    |                                  | 46,188,810  | -                        | 46,188,810            |
| Taxes levied for debt service                             |                       |                      |                                    |                                  | 18,883,994  | -                        | 18,883,994            |
| Taxes levied for other specific purposes                  |                       |                      |                                    |                                  | 307,079   | -                        | 307,079               |
| Federal and state aid not restricted to specific purposes |                       |                      |                                    |                                  | 116,344,798                                       | -                        | 116,344,798           |
| Interest and investment earnings                          |                       |                      |                                    |                                  | 424,260   | 9,605                    | 433,865               |
| Miscellaneous   |                       |                      |                                    |                                  | 12,035,864  | -                        | 12,035,864            |
| Internal transfers  |                       |                      |                                    |                                  | <u>1,154,269</u>                                  | <u>(1,154,269)</u>       | <u>-</u>              |
|   |                       |                      |                                    |                                  | <u>195,339,074</u>                                | <u>(1,144,664)</u>       | <u>194,194,410</u>    |
|   |                       |                      |                                    |                                  |   | 128,590                  | 10,542,576            |
|   |                       |                      |                                    |                                  |   |                          | 97,373,164            |
|   |                       |                      |                                    |                                  | <u>\$ 107,212,110</u>                             | <u>\$ 703,630</u>        | <u>\$ 107,915,740</u> |

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

|                                      | General<br>Fund             | Building<br>Fund            | Bond<br>Interest and<br>Redemption<br>Fund | All<br>Non-Major<br>Fund    | Total<br>Governmental<br>Funds |
|--------------------------------------|-----------------------------|-----------------------------|--|-----------------------------|--------------------------------|
| <b>ASSETS</b>                        |                             |                             |  |                             |                                |
| Cash and investments:                |                             |                             |  |                             |                                |
| Cash in County Treasury              | \$ 36,846,861               | \$ 5,963,527                | \$ 23,358,412                              | \$ 16,397,157               | \$ 82,565,957                  |
| Cash on hand and in banks            | 651,043                     | -                           | -  | 125,349                     | 776,392                        |
| Cash in revolving fund               | 75,000                      | -                           | -  | 10,000                      | 85,000                         |
| Cash with Fiscal Agent               | -                           | 41,902,138                  | 3,118,036                                  | -                           | 45,020,174                     |
| Receivables                          | 5,282,258                   | 26,632                      | 84,115                                     | 1,797,507                   | 7,190,512                      |
| Due from other funds                 | 368,532                     | -                           | -  | 1,289,203                   | 1,657,735                      |
| Stores inventory                     | -                           | -                           | -  | 25,165                      | 25,165                         |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>                | <u>                    </u> | <u>                    </u>    |
| Total assets                         | <u>\$ 43,223,694</u>        | <u>\$ 47,892,297</u>        | <u>\$ 26,560,563</u>                       | <u>\$ 19,644,381</u>        | <u>\$ 137,320,935</u>          |
| <b>LIABILITIES AND FUND BALANCES</b> |                             |                             |  |                             |                                |
| Liabilities:                         |                             |                             |  |                             |                                |
| Accounts payable                     | \$ 4,420,928                | \$ 5,073,497                | \$ -                                       | \$ 1,195,868                | \$ 10,690,293                  |
| Unearned revenue                     | 845,754                     | -                           | 1,631,829                                  | 132,419                     | 2,610,002                      |
| Due to other funds                   | <u>1,462,059</u>            | <u>                    </u> | <u>                    </u>                | <u>329,910</u>              | <u>1,791,969</u>               |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>                | <u>                    </u> | <u>                    </u>    |
| Total liabilities                    | <u>6,728,741</u>            | <u>5,073,497</u>            | <u>1,631,829</u>                           | <u>1,658,197</u>            | <u>15,092,264</u>              |
| Fund balances:                       |                             |                             |  |                             |                                |
| Nonspendable                         | 75,000                      | -                           | -  | 35,165                      | 110,165                        |
| Restricted                           | 11,470,513                  | 42,818,800                  | 24,928,734                                 | 17,951,019                  | 97,169,066                     |
| Committed                            | 14,799,356                  | -                           | -  | -                           | 14,799,356                     |
| Assigned                             | 4,141,115                   | -                           | -  | -                           | 4,141,115                      |
| Unassigned                           | <u>6,008,969</u>            | <u>                    </u> | <u>                    </u>                | <u>                    </u> | <u>6,008,969</u>               |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>                | <u>                    </u> | <u>                    </u>    |
| Total fund balances                  | <u>36,494,953</u>           | <u>42,818,800</u>           | <u>24,928,734</u>                          | <u>17,986,184</u>           | <u>122,228,671</u>             |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>                | <u>                    </u> | <u>                    </u>    |
| Total liabilities and fund balances  | <u>\$ 43,223,694</u>        | <u>\$ 47,892,297</u>        | <u>\$ 26,560,563</u>                       | <u>\$ 19,644,381</u>        | <u>\$ 137,320,935</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, 2016

|  |                     |                              |
|--|---------------------|------------------------------|
| Total fund balances - Governmental Funds   |                     | \$ 122,228,671               |
| 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 \$675,439,290 and the accumulated depreciation is \$202,809,480 (Note 4).                                    |                     |                              |
|  |                     | 472,629,810                  |
| 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, 2016 consisted of (Note 5):  |                     |                              |
| Certificates of Participation  | \$ (15,060,000)     |                              |
| General Obligation Bonds   | (236,938,596)       |                              |
| Unamortized premium  | (10,696,376)        |                              |
| Accreted interest  | (47,326,795)        |                              |
| Capitalized lease obligation   | (156,002)           |                              |
| Other postemployment benefits (Note 9)   | (26,079,886)        |                              |
| Net pension liability (Notes 7 and 8)  | (149,900,778)       |                              |
| Compensated absences   | <u>(987,393)</u>    |                              |
|  |                     | (487,145,826)                |
| 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.  |                     |                              |
|  |                     | 2,848,667                    |
| 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  | \$ 15,158,540       |                              |
| Deferred inflows of resources relating to pensions   | <u>(15,300,815)</u> |                              |
|  |                     | (142,275)                    |
| Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.  |                     |                              |
|  |                     | <u>(3,206,937)</u>           |
| Total net position - governmental activities   |                     | <u><u>\$ 107,212,110</u></u> |

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

|   | General<br>Fund      | Building<br>Fund     | Bond<br>Interest and<br>Redemption<br>Fund | All<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------|--|---------------------------|--------------------------------|
| Revenues:   |                      |                      |  |                           |                                |
| Local Control Funding<br>Formula (LCFF):                        |                      |                      |  |                           |                                |
| State apportionment   | \$ 102,097,306       | \$ -                 | \$ -                                       | \$ 728,369                | \$ 102,825,675                 |
| Local sources   | <u>45,155,212</u>    | <u>-</u>             | <u>-</u>                                   | <u>1,025,811</u>          | <u>46,181,023</u>              |
| Total LCFF  | <u>147,252,518</u>   | <u>-</u>             | <u>-</u>                                   | <u>1,754,180</u>          | <u>149,006,698</u>             |
| Federal sources   | 9,385,163            | -                    | -  | 4,003,102                 | 13,388,265                     |
| Other state sources   | 33,457,986           | -                    | 144,714                                    | 2,759,445                 | 36,362,145                     |
| Other local sources   | <u>7,004,026</u>     | <u>109,810</u>       | <u>21,426,629</u>                          | <u>8,430,540</u>          | <u>36,971,005</u>              |
| Total revenues  | <u>197,099,693</u>   | <u>109,810</u>       | <u>21,571,343</u>                          | <u>16,947,267</u>         | <u>235,728,113</u>             |
| Expenditures:   |                      |                      |  |                           |                                |
| Current:  |                      |                      |  |                           |                                |
| Certificated salaries   | 88,002,247           | -                    | -  | 1,285,813                 | 89,288,060                     |
| Classified salaries   | 30,627,078           | -                    | -  | 3,650,496                 | 34,277,574                     |
| Employee benefits   | 36,314,406           | -                    | -  | 1,491,140                 | 37,805,546                     |
| Books and supplies  | 9,529,817            | 42,649               | -  | 2,878,269                 | 12,450,735                     |
| Contract services and<br>operating expenditures                 | 18,487,197           | 1,276,305            | -  | 1,456,536                 | 21,220,038                     |
| Other outgo   | 222,326              | -                    | -  | -                         | 222,326                        |
| Capital outlay  | 2,094,745            | 27,736,737           | -  | 2,777,909                 | 32,609,391                     |
| Debt service:   |                      |                      |  |                           |                                |
| Principal retirement  | 51,113               | -                    | 9,659,052                                  | 2,890,945                 | 12,601,110                     |
| Interest  | <u>11,374</u>        | <u>-</u>             | <u>7,847,953</u>                           | <u>628,854</u>            | <u>8,488,181</u>               |
| Total expenditures  | <u>185,340,303</u>   | <u>29,055,691</u>    | <u>17,507,005</u>                          | <u>17,059,962</u>         | <u>248,962,961</u>             |
| Excess (deficiency) of<br>revenues over (under)<br>expenditures | <u>11,759,390</u>    | <u>(28,945,881)</u>  | <u>4,064,338</u>                           | <u>(112,695)</u>          | <u>(13,234,848)</u>            |
| Other financing sources (uses):                                 |                      |                      |  |                           |                                |
| Transfers in  | 459,292              | 976                  | -  | 2,573,446                 | 3,033,714                      |
| Transfers out   | (2,137,354)          | -                    | -  | (342,091)                 | (2,479,445)                    |
| Proceeds from sale of<br>capital asset                          | -                    | -                    | -  | 466,712                   | 466,712                        |
| Proceeds from issuance of<br>debt                               | -                    | 99,340,000           | -  | -                         | 99,340,000                     |
| Premium on issuance of debt                                     | -                    | 3,934,130            | 3,118,036                                  | -                         | 7,052,166                      |
| Payment to refunding escrow                                     | <u>-</u>             | <u>(32,480,523)</u>  | <u>-</u>                                   | <u>-</u>                  | <u>(32,480,523)</u>            |
| Total other financing<br>sources (uses)                         | <u>(1,678,062)</u>   | <u>70,794,583</u>    | <u>3,118,036</u>                           | <u>2,698,067</u>          | <u>74,932,624</u>              |
| Net change in fund<br>balances                                  | 10,081,328           | 41,848,702           | 7,182,374                                  | 2,585,372                 | 61,697,776                     |
| Fund balances, July 1, 2015                                     | <u>26,413,625</u>    | <u>970,098</u>       | <u>17,746,360</u>                          | <u>15,400,812</u>         | <u>60,530,895</u>              |
| Fund balances, June 30, 2016                                    | <u>\$ 36,494,953</u> | <u>\$ 42,818,800</u> | <u>\$ 24,928,734</u>                       | <u>\$ 17,986,184</u>      | <u>\$ 122,228,671</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, 2016

|   |                    |                        |
|---|--------------------|------------------------|
| Net change in fund balances - Total Governmental Funds  |                    | \$ 61,697,776          |
| Amounts reported for governmental activities in the statement of activities are different because:  |                    |                        |
| Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).  | \$ 28,420,805      |                        |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).   | (14,160,176)       |                        |
| Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).  | (99,340,000)       |                        |
| 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.   | 1,521,198          |                        |
| 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).   | 12,601,110         |                        |
| Payments made to refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).   | 30,802,349         |                        |
| 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).   | (6,173,067)        |                        |
| Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).   | (5,421,070)        |                        |
| Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net position (Notes 5 and 9).  | 1,289,067          |                        |
| 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.   | (1,898,610)        |                        |
| 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: | 1,140,159          |                        |
| 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>\$ (65,555)</u> | <u>\$ (51,283,790)</u> |
| Change in net position of governmental activities   |                    | <u>\$ 10,413,986</u>   |

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
STUDENT CARE CENTER FUND  
June 30, 2016

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**ASSETS**

|                         |                  |
|-------------------------|------------------|
| Current assets:         |                  |
| Cash in County Treasury | \$ 1,824,246     |
| Cash in banks           | 390,597          |
| Receivables             | 9,705            |
| Prepaid expenditures    | <u>2,177</u>     |
| Total current assets    | <u>2,226,725</u> |

**DEFERRED OUTFLOWS OF RESOURCES**

|   |                |
|---|----------------|
| Deferred outflows of resources - pensions (Notes 7 and 8) | <u>177,365</u> |
|---|----------------|

**LIABILITIES**

|                                   |                  |
|-----------------------------------|------------------|
| Current liabilities:              |                  |
| Accounts payable                  | 35,287           |
| Due to other funds                | <u>465,766</u>   |
| Total current liabilities         | <u>501,053</u>   |
| Net pension liability - long-term | <u>1,101,222</u> |
| Total liabilities                 | <u>1,602,275</u> |

**DEFERRED INFLOWS OF RESOURCES**

|  |               |
|--|---------------|
| Deferred inflows of resources - pensions (Notes 7 and 8) | <u>98,185</u> |
|--|---------------|

**NET POSITION**

|                                      |                          |
|--------------------------------------|--------------------------|
| Restricted for student care services | <u><u>\$ 703,630</u></u> |
|--------------------------------------|--------------------------|

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See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN NET POSITION -  
PROPRIETARY FUND  
STUDENT CARE CENTER FUND  
For the Year Ended June 30, 2016

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|  |                          |
|--|--------------------------|
| Operating revenues:                      |                          |
| Children Center fees                     | \$ 3,394,464             |
| Other local revenues                     | <u>375</u>               |
| Total operating revenues                 | <u>3,394,839</u>         |
| Operating expenses:                      |                          |
| Classified salaries                      | 1,403,161                |
| Employee benefits                        | 381,129                  |
| Books and supplies                       | 167,250                  |
| Contract services and operating expenses | <u>170,045</u>           |
| Total operating expenses                 | <u>2,121,585</u>         |
| Operating income                         | 1,273,254                |
| Non-operating income:                    |                          |
| Interest income                          | <u>9,605</u>             |
| Transfers to other funds                 | <u>(1,154,269)</u>       |
| Change in net position                   | 128,590                  |
| Net position, July 1, 2015               | <u>575,040</u>           |
| Net position, June 30, 2016              | <u><u>\$ 703,630</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, 2016

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|   |                            |
|---|----------------------------|
| Cash flows from operating activities:   |                            |
| Cash received for children center fees  | \$ 3,388,635               |
| Cash received for other activities  | 375                        |
| Cash paid for operating expenses  | (337,295)                  |
| Cash paid for employee benefits   | <u>(1,871,169)</u>         |
| Net cash provided by operating activities   | <u>1,180,546</u>           |
| Cash flows used in noncapital financing activities:                                     |                            |
| Transfer to other funds   | <u>(1,181,184)</u>         |
| Cash flows provided by investing activities:  |                            |
| Interest income   | <u>9,605</u>               |
| Change in cash and investments  | 8,967                      |
| Cash and investments, July 1, 2015  | <u>2,205,876</u>           |
| Cash and investments, June 30, 2016   | <u><u>\$ 2,214,843</u></u> |
| Reconciliation of operating income to net cash provided by operating activities:        |                            |
| Operating income  | <u>\$ 1,273,254</u>        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                            |
| Increase in:  |                            |
| Receivables   | (5,829)                    |
| Deferred outflows of resources  | (80,762)                   |
| (Decrease) increase in:   |                            |
| Accounts payable  | (73,309)                   |
| Net pension liability   | 264,492                    |
| Deferred inflows of resources   | <u>(197,300)</u>           |
| Total adjustments   | <u>(92,708)</u>            |
| Net cash provided by operating activities   | <u><u>\$ 1,180,546</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, 2016

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|   | <u>Trust<br/>Fund<br/>Retiree<br/>Benefit</u> | <u>Agency<br/>Funds</u> |
|---|---|-------------------------|
| <b>ASSETS</b>   |   |                         |
| Cash and investments (Note 2):                                  |   |                         |
| Cash in County Treasury   | \$ 8,119,704                                  | \$ -                    |
| Cash on hand and in banks                                       | -   | 1,504,762               |
| Receivables   | 40,423  | -                       |
| Due from other funds  | <u>600,000</u>                                | <u>-</u>                |
| Total assets  | <u>8,760,127</u>                              | <u>\$ 1,504,762</u>     |
| <b>LIABILITIES</b>  |   |                         |
| Accounts payable  | 12,119  | \$ -                    |
| Due to student groups   | <u>-</u>                                      | <u>1,504,762</u>        |
| Total liabilities   | <u>12,119</u>                                 | <u>\$ 1,504,762</u>     |
| <b>NET POSITION</b>   |   |                         |
| Net position held in trust for retiree<br>benefits - restricted | <u>\$ 8,748,008</u>                           |                         |

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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, 2016

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|  | <u>Retiree<br/>Benefit</u> |
|--|----------------------------|
| Additions:   |                            |
| Employer contributions   | \$ 1,278,303               |
| Interest   | 40,424                     |
| Transfer in  | <u>600,000</u>             |
| Total additions  | <u>1,918,727</u>           |
| Deductions:  |                            |
| Benefit expense paid to retirees                               | <u>746,164</u>             |
| Change in net position   | 1,172,563                  |
| Net position held in trust for retiree benefits, July 1, 2015  | <u>7,575,445</u>           |
| Net position held in trust for retiree benefits, June 30, 2016 | <u><u>\$ 8,748,008</u></u> |

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See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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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. The District and Folsom Cordova Schools Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

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

A - Accountability:

1. The Corporation's Board of Directors was appointed by the District's Board of Education.
2. The Corporation has no employees. The District's Superintendent function as agents of the Corporation. Neither individual receives additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation as the District is the sole lessee of all facilities owned by the Corporation.
4. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
5. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
6. The District's lease payments are the sole revenue source of the Corporation.
7. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

B - Scope of Public Service:

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities through the issuance of Certificates of Participation. The source of repayment for the Certificates of Participation is the fees collected through the District's developer fees. When the Corporation's Certificates of Participation have been completely paid off, title to all Corporation property will pass to the District for no additional consideration.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

C - Financial Presentation:

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity in the Capital Facilities Funds. Certificates of Participation issued by the Corporation are included as liabilities in the Statement of Net Position.

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)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

**Basis of Presentation - Fund Accounting:** The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

**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 Capital 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.

The Student Body Fund is to account for assets of student groups for which the District has an agency relationship with the activity of the fund.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the 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, 2016.

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 acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**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. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position. Amortization for the year ended June 30, 2016 totaled \$694,000.

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. Amortization for the year ended June 30, 2016 totaled \$6,263,333.

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>\$ 9,511,596</u>   | <u>\$ 5,824,309</u>  | <u>\$ 15,335,905</u>  |
| Deferred inflows of resources  | <u>\$ 11,914,000</u>  | <u>\$ 3,485,000</u>  | <u>\$ 15,399,000</u>  |
| Net pension liability          | <u>\$ 114,579,000</u> | <u>\$ 36,423,000</u> | <u>\$ 151,002,000</u> |
| Pension expense                | <u>\$ 14,883,734</u>  | <u>\$ 3,144,589</u>  | <u>\$ 18,028,323</u>  |

The District has allocated 3.1 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 \$987,393 are recorded as a liability of the District.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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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 legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. 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)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**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.

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, 2016, 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, 2016, 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.

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.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2016 consisted of the following:

|                           | <u>Governmental<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> | <u>Fiduciary<br/>Activities</u> |
|---------------------------|------------------------------------|--|---------------------------------|
| <b>Pooled Funds:</b>      |                                    |  |                                 |
| Cash in County Treasury   | \$ 82,565,957                      | \$ 1,824,246                             | \$ 8,119,704                    |
| <b>Deposits:</b>          |                                    |  |                                 |
| Cash on hand and in banks | 776,392                            | 390,597                                  | 1,504,762                       |
| Cash in revolving fund    | 85,000                             | -  | -                               |
| Cash with Fiscal Agent    | <u>45,020,174</u>                  | <u>-</u>                                 | <u>-</u>                        |
| Total                     | <u>\$128,447,523</u>               | <u>\$ 2,214,843</u>                      | <u>\$ 9,624,466</u>             |

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

Deposits - Custodial Credit Risk: 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, 2016, the carrying amount of the District's accounts were \$2,756,751, and the bank balances were \$2,726,297, of which \$518,148 was insured.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for capital projects and repayment of General Obligation Bonds. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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, 2016, 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, 2016, the District had no concentration of credit risk.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**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, 2016 were as follows:

| <u>Fund</u>                          | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|--------------------------------------|----------------------------------|-------------------------------|
| Major Governmental Funds:            |                                  |                               |
| General                              | \$ 368,532                       | \$ 1,462,059                  |
| Non-Major Governmental Funds:        |                                  |                               |
| Charter School                       | 375,245                          | 277,612                       |
| Adult Education                      | 71                               | -                             |
| Child Development                    | 738                              | 37,893                        |
| Cafeteria                            | 57,419                           | 2,848                         |
| Deferred Maintenance                 | 124,413                          | -                             |
| Capital Facilities                   | 531,317                          | 11,557                        |
| Special Reserve for Capital Projects | 200,000                          | -                             |
| Proprietary Fund:                    |                                  |                               |
| Student Care Center                  | -                                | 465,766                       |
| Fiduciary Funds:                     |                                  |                               |
| Retiree Benefits                     | <u>600,000</u>                   | <u>-</u>                      |
| Totals                               | <u>\$ 2,257,735</u>              | <u>\$ 2,257,735</u>           |

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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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 2015-2016 fiscal year were as follows:

|  |                     |
|--|---------------------|
| Transfer from the General Fund to the Adult Education Fund for direct support costs.   | \$ 84,126           |
| Transfer from the General Fund to the Cafeteria Fund for indirect support to the Cafe.   | 53,228              |
| Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of deferred maintenance funding. | 1,200,000           |
| 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.   | 75,971              |
| Transfer from the Cafeteria Fund to the General Fund for indirect costs.   | 266,120             |
| Transfer from the Student Care Fund to the General Fund for indirect costs.  | 117,201             |
| Transfer from the Student Care Center Fund to the Building Fund for assets purchased.  | 976                 |
| Transfer from the Student Care Fund to the Adult Education Fund for the inspection and relocation of Adult Preschool.            | 4,230               |
| Transfer from the Student Care Fund to the Child Development Fund for building loan.   | 2,168               |
| Transfer from the Student Care Fund to the Capital Facilities Fund for Folsom Hills building.                                    | 700,317             |
| Transfer from the Student Care Fund to the Capital Facilities Fund for the purchase of portable classrooms.                      | <u>329,377</u>      |
|  | <u>\$ 3,633,714</u> |

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

|   | Balance<br>July 1,<br><u>2015</u> | Additions<br>and<br><u>Transfers</u> | Deductions<br>and<br><u>Transfers</u> | Balance<br>June 30,<br><u>2016</u> |
|---|-----------------------------------|--------------------------------------|---------------------------------------|------------------------------------|
| Non-depreciable:                            |                                   |                                      |                                       |                                    |
| Land  | \$ 49,116,097                     | \$ -                                 | \$ -                                  | \$ 49,116,097                      |
| Work-in-process                             | 35,548,891                        | 28,420,805                           | (1,969,617)                           | 62,000,079                         |
| Depreciable:                                |                                   |                                      |                                       |                                    |
| Improvement of sites                        | 29,572,450                        | 170,636                              | -                                     | 29,743,086                         |
| Buildings                                   | 497,116,675                       | 1,743,198                            | -                                     | 498,859,873                        |
| Equipment                                   | <u>35,664,372</u>                 | <u>55,783</u>                        | <u>-</u>                              | <u>35,720,155</u>                  |
| Totals, at cost                             | <u>647,018,485</u>                | <u>30,390,422</u>                    | <u>(1,969,617)</u>                    | <u>675,439,290</u>                 |
| Less accumulated depreciation:              |                                   |                                      |                                       |                                    |
| Improvement of sites                        | (23,320,175)                      | (1,644,954)                          | -                                     | (24,965,129)                       |
| Buildings                                   | (155,731,308)                     | (12,315,697)                         | -                                     | (168,047,005)                      |
| Equipment                                   | <u>(9,597,821)</u>                | <u>(199,525)</u>                     | <u>-</u>                              | <u>(9,797,346)</u>                 |
| Total accumulated depreciation              | <u>(188,649,304)</u>              | <u>(14,160,176)</u>                  | <u>-</u>                              | <u>(202,809,480)</u>               |
| Governmental activities capital assets, net | <u>\$ 458,369,181</u>             | <u>\$ 16,230,246</u>                 | <u>\$ (1,969,617)</u>                 | <u>\$ 472,629,810</u>              |

Depreciation expense was charged to governmental activities as follows:

|   |                      |
|---|----------------------|
| Instruction                                 | \$ 13,299,109        |
| Supervision of instruction                  | 143,152              |
| Instructional library, media and technology | 2,215                |
| School site administration                  | 22,662               |
| Home-to-school transportation               | 22,873               |
| Food services                               | 36,654               |
| All other pupil services                    | 17,476               |
| Ancillary services                          | 10,072               |
| Enterprise activities                       | 29,981               |
| All other general administration            | 267,203              |
| Data processing                             | 243,145              |
| Plant services                              | <u>65,634</u>        |
| Total depreciation expense                  | <u>\$ 14,160,176</u> |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 5 - LONG-TERM LIABILITIES**

Certificates of Participation: In November 2015, the District issued 2015 Refunding Certificates of Participation (COPs) in the amount of \$17,910,000 to refund the remaining 1998 and 2007 Certificates of Participation. The 2015 Refunding COPs mature through April 2021 and have interest rates ranging from 2.0% to 5.0%.

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

| <u>Year Ending</u><br><u>June 30,</u> | <u>Payments</u>             |
|---------------------------------------|-----------------------------|
| 2017                                  | \$ 3,480,450                |
| 2018                                  | 3,470,250                   |
| 2019                                  | 3,467,500                   |
| 2020                                  | 3,472,750                   |
| 2021                                  | <u>3,470,250</u>            |
|                                       | 17,361,200                  |
| Less amount representing interest     | <u>(2,301,200)</u>          |
|                                       | <u><u>\$ 15,060,000</u></u> |

Although the advance refunding resulted in the recognition of an accounting loss of \$429,219 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$41,890,153 over the next 5 years and obtained an economic gain of \$912,594.

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

|  |                             |
|--|-----------------------------|
| Old debt service cash flows                  | \$ 21,437,698               |
| New debt service cash flows                  | <u>20,452,455</u>           |
| Cash flow difference                         | <u><u>\$ 41,890,153</u></u> |
| Present value of old debt service cash flows | \$ 20,487,268               |
| Present value of new debt service cash flows | <u>19,574,674</u>           |
| Economic gain                                | <u><u>\$ 912,594</u></u>    |

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

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, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--------------------------------|---------------------|---------------------|---------------------|
| 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                           | 320,250             | 714,750             | 1,035,000           |
| 2022-2023                      | <u>606,537</u>      | <u>1,538,463</u>    | <u>2,145,000</u>    |
|                                | <u>\$ 2,311,763</u> | <u>\$ 4,758,237</u> | <u>\$ 7,070,000</u> |

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, \$12,525,000 of the 2002 General Obligation Bonds current interest bonds were refunded. The annual payments required to amortize the remaining 2002 General Obligation Bonds, Series A outstanding as of June 30, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------|----------------------|----------------------|----------------------|
| 2018                           | \$ 563,794           | \$ 661,206           | \$ 1,225,000         |
| 2019                           | 1,743,791            | 2,326,209            | 4,070,000            |
| 2020                           | 1,665,417            | 2,499,583            | 4,165,000            |
| 2021                           | 1,595,115            | 2,664,885            | 4,260,000            |
| 2022-2026                      | 7,061,756            | 15,783,244           | 22,845,000           |
| 2027-2028                      | <u>2,472,299</u>     | <u>7,427,701</u>     | <u>9,900,000</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%. With the issuance of the 2014 General Obligation Refunding Bonds in January 2014, \$28,200,000 of the 2002 General Obligation Bonds current interest bonds were refunded. The annual payments required to amortize the 2002 General Obligation Bonds, Series B outstanding as of June 30, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>    | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------|---------------------|----------------------|----------------------|
| 2024-2026                      | \$ 2,895,656        | \$ 5,614,594         | \$ 8,510,250         |
| 2027-2030                      | <u>3,338,193</u>    | <u>8,516,807</u>     | <u>11,855,000</u>    |
|                                | <u>\$ 6,233,849</u> | <u>\$ 14,131,401</u> | <u>\$ 20,365,250</u> |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**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, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------|----------------------|----------------------|----------------------|
| 2017                           | \$ 2,680,000         | \$ 864,875           | \$ 3,544,875         |
| 2018                           | 3,150,000            | 740,100              | 3,890,100            |
| 2019                           | 1,130,870            | 1,226,730            | 2,357,600            |
| 2020                           | 1,216,053            | 1,287,548            | 2,503,601            |
| 2021                           | 1,229,320            | 1,324,180            | 2,553,500            |
| 2022-2026                      | 11,673,775           | 13,189,225           | 24,863,000           |
| 2027-2031                      | 13,860,059           | 22,644,941           | 36,505,000           |
| 2032-2033                      | <u>5,223,759</u>     | <u>11,181,241</u>    | <u>16,405,000</u>    |
|                                | <u>\$ 40,163,836</u> | <u>\$ 52,458,840</u> | <u>\$ 92,622,676</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, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>       | <u>Total</u>          |
|--------------------------------|----------------------|-----------------------|-----------------------|
| 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                           | 608,942              | 3,061,998             | 3,670,940             |
| 2022-2026                      | 9,739,097            | 17,353,673            | 27,092,770            |
| 2027-2031                      | 11,621,826           | 32,389,074            | 44,010,900            |
| 2032-2036                      | <u>18,426,113</u>    | <u>53,218,043</u>     | <u>71,644,156</u>     |
|                                | <u>\$ 41,356,976</u> | <u>\$ 116,460,661</u> | <u>\$ 157,817,637</u> |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**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, Series A outstanding as of June 30, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------|----------------------|----------------------|----------------------|
| 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                           | -                    | 1,021,900            | 1,021,900            |
| 2022-2026                      | 1,150,000            | 5,054,250            | 6,204,250            |
| 2027-2031                      | 4,675,000            | 4,315,375            | 8,990,375            |
| 2032-2036                      | 8,020,000            | 2,842,500            | 10,862,500           |
| 2037-2039                      | <u>7,035,000</u>     | <u>548,875</u>       | <u>7,583,875</u>     |
|                                | <u>\$ 20,880,000</u> | <u>\$ 17,870,500</u> | <u>\$ 38,750,500</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, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|--------------------------------|----------------------|---------------------|----------------------|
| 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                           | 2,575,000            | 661,613             | 3,236,613            |
| 2022-2026                      | 8,420,000            | 1,820,981           | 10,240,981           |
| 2027-2030                      | <u>4,535,000</u>     | <u>473,875</u>      | <u>5,008,875</u>     |
|                                | <u>\$ 29,675,000</u> | <u>\$ 6,919,071</u> | <u>\$ 36,594,071</u> |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

In July 2015, the District issued 2015 General Obligation Refunding Bonds to refund a portion of the 2006 General Obligation Bonds, Series A and pay the costs of issuance. The Refunding Bonds of \$11,430,000 mature through October 2022, with interest rates from 2.0% to 5.0%. The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|--------------------------------|----------------------|---------------------|----------------------|
| 2017                           | \$ -                 | \$ 560,750          | \$ 560,750           |
| 2018                           | -                    | 560,750             | 560,750              |
| 2019                           | 1,735,000            | 560,750             | 2,295,750            |
| 2020                           | 1,965,000            | 474,000             | 2,439,000            |
| 2021                           | 2,220,000            | 375,750             | 2,595,750            |
| 2022-2023                      | <u>5,295,000</u>     | <u>404,500</u>      | <u>5,699,500</u>     |
|                                | <u>\$ 11,215,000</u> | <u>\$ 2,936,500</u> | <u>\$ 14,151,500</u> |

Although the advance refunding resulted in the recognition of an accounting loss of \$1,248,864 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$29,766,040 over the next 7 years and obtained an economic gain of \$743,619.

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

|  |                      |
|--|----------------------|
| Old debt service cash flows                  | \$ 15,324,200        |
| New debt service cash flows                  | <u>14,441,840</u>    |
| Cash flow difference                         | <u>\$ 29,766,040</u> |
| Present value of old debt service cash flows | \$ 12,961,495        |
| Present value of new debt service cash flows | <u>12,217,876</u>    |
| Economic gain                                | <u>\$ 743,619</u>    |

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

In July 2015, the District issued Election of 2012 General Obligation Bonds, Series B in an aggregate principal amount of \$30,000,000 maturing through October 2040, with interest rates from 3.25% to 5.00%. The annual payments required to amortize the 2012 General Obligation Bonds, Series B outstanding as of June 30, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------|----------------------|----------------------|----------------------|
| 2017                           | \$ 1,305,000         | \$ 1,255,169         | \$ 2,560,169         |
| 2018                           | 665,000              | 1,202,969            | 1,867,969            |
| 2019                           | 150,000              | 1,169,719            | 1,319,719            |
| 2020                           | 250,000              | 1,165,219            | 1,415,219            |
| 2021                           | 355,000              | 1,157,719            | 1,512,719            |
| 2022-2026                      | 2,490,000            | 5,542,694            | 8,032,694            |
| 2027-2031                      | 3,255,000            | 5,008,119            | 8,263,119            |
| 2032-2036                      | 5,925,000            | 4,128,688            | 10,053,688           |
| 2037-2041                      | <u>15,605,000</u>    | <u>2,331,700</u>     | <u>17,936,700</u>    |
|                                | <u>\$ 30,000,000</u> | <u>\$ 22,961,996</u> | <u>\$ 52,961,996</u> |

In July 2015, the District issued Election of 2014 General Obligation Bonds, Series A in an aggregate principal amount of \$40,000,000 maturing through October 2040, with interest rates from 2.0% to 5.0%. The annual payments required to amortize the 2014 General Obligation Bonds, Series A outstanding as of June 30, 2016, are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------|----------------------|----------------------|----------------------|
| 2017                           | \$ 6,255,000         | \$ 1,739,075         | \$ 7,994,075         |
| 2018                           | 5,375,000            | 1,488,875            | 6,863,875            |
| 2019                           | 110,000              | 1,220,125            | 1,330,125            |
| 2020                           | 165,000              | 1,217,925            | 1,382,925            |
| 2021                           | 225,000              | 1,214,625            | 1,439,625            |
| 2022-2026                      | 2,190,000            | 5,924,925            | 8,114,925            |
| 2027-2031                      | 4,645,000            | 5,227,075            | 9,872,075            |
| 2032-2036                      | 8,065,000            | 3,944,425            | 12,009,425           |
| 2037-2041                      | <u>12,970,000</u>    | <u>1,641,800</u>     | <u>14,611,800</u>    |
|                                | <u>\$ 40,000,000</u> | <u>\$ 23,618,850</u> | <u>\$ 63,618,850</u> |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**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, 2016, the accumulated depreciation related to these assets totaled \$2,502,644. The following is a schedule of the future payments for the capital lease:

| Year Ending<br><u>June 30,</u>    | <u>Payments</u>          |
|-----------------------------------|--------------------------|
| 2017                              | \$ 103,433               |
| 2018                              | 59,736                   |
| 2019                              | <u>2,936</u>             |
|                                   | 166,105                  |
| Less amount representing interest | <u>(10,103)</u>          |
|                                   | <u><u>\$ 156,002</u></u> |

**Schedule of Changes in Long-Term Liabilities:** A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2016 is shown below:

| <u>Governmental Activities:</u>                  | <u>Balance<br/>July 1, 2015</u> | <u>Additions</u>             | <u>Deductions</u>           | <u>Balance<br/>June 30,<br/>2016</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--|---------------------------------|------------------------------|-----------------------------|--------------------------------------|--|
| Certificates of Participation                    | \$ 18,832,349                   | \$ 17,910,000                | \$ 21,682,349               | \$ 15,060,000                        | \$ 2,755,000                               |
| General Obligation Bonds                         | 177,137,648                     | 81,430,000                   | 21,629,052                  | 236,938,596                          | 15,970,294                                 |
| Unamortized premium                              | 4,523,309                       | 7,052,166                    | 879,099                     | 10,696,376                           | 1,042,381                                  |
| Accreted interest on General<br>Obligation Bonds | 41,905,725                      | 5,962,018                    | 540,948                     | 47,326,795                           | -  |
| Capitalized lease obligation                     | 248,060                         | -                            | 92,058                      | 156,002                              | 96,209                                     |
| Other postemployment<br>benefits (Note 9)        | 27,368,953                      | -                            | 1,289,067                   | 26,079,886                           | -  |
| Net pension liability (Notes 7 and 8)            | 127,125,270                     | 22,775,508                   | -                           | 149,900,778                          | -  |
| Compensated absences                             | <u>921,838</u>                  | <u>65,555</u>                | <u>-</u>                    | <u>987,393</u>                       | <u>987,393</u>                             |
| <b>Totals</b>                                    | <u><u>\$ 398,063,152</u></u>    | <u><u>\$ 135,195,247</u></u> | <u><u>\$ 46,112,573</u></u> | <u><u>\$ 487,145,826</u></u>         | <u><u>\$ 20,851,277</u></u>                |
| <br><u>Business-Type Activities:</u>             |                                 |                              |                             |                                      |  |
|  | <u>Balance<br/>July 1, 2014</u> | <u>Additions</u>             | <u>Deductions</u>           | <u>Balance<br/>June 30,<br/>2015</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
| Net pension liability (Notes 7 and 8)            | <u>\$ 836,730</u>               | <u>\$ 264,492</u>            | <u>\$ -</u>                 | <u>\$ 1,101,222</u>                  | <u>\$ -</u>                                |

Payments on the Certificates of Participation are made from the Child Development Fund, Cafeteria Fund and Capital Facilities 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 and Special Reserve for Capital Outlay Projects Funds. 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, 2016

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2016 consisted of the following:

|  | General<br>Fund      | Building<br>Fund     | Bond<br>Interest and<br>Redemption<br>Fund | All<br>Non-Major<br>Funds | Total                 |
|--|----------------------|----------------------|--|---------------------------|-----------------------|
| Nonspendable:                          |                      |                      |  |                           |                       |
| Revolving cash fund                    | \$ 75,000            | \$ -                 | \$ -                                       | \$ 10,000                 | \$ 85,000             |
| Stores inventory                       | <u>-</u>             | <u>-</u>             | <u>-</u>                                   | <u>25,165</u>             | <u>25,165</u>         |
| Subtotal nonspendable                  | <u>75,000</u>        | <u>-</u>             | <u>-</u>                                   | <u>35,165</u>             | <u>110,165</u>        |
| Restricted:                            |                      |                      |  |                           |                       |
| Legally restricted programs            | 11,470,513           | -                    | -  | 5,999,197                 | 17,469,710            |
| Capital projects                       | -                    | 42,818,800           | -  | 11,951,822                | 54,770,622            |
| Debt service                           | <u>-</u>             | <u>-</u>             | <u>24,928,734</u>                          | <u>-</u>                  | <u>24,928,734</u>     |
| Subtotal restricted                    | <u>11,470,513</u>    | <u>42,818,800</u>    | <u>24,928,734</u>                          | <u>17,951,019</u>         | <u>97,169,066</u>     |
| Committed:                             |                      |                      |  |                           |                       |
| CCSS/Tech                              | 9,180,813            | -                    | -  | -                         | 9,180,813             |
| EL/LI                                  | <u>5,618,543</u>     | <u>-</u>             | <u>-</u>                                   | <u>-</u>                  | <u>5,618,543</u>      |
| Subtotal committed                     | <u>14,799,356</u>    | <u>-</u>             | <u>-</u>                                   | <u>-</u>                  | <u>14,799,356</u>     |
| Assigned:                              |                      |                      |  |                           |                       |
| Carryover                              | 3,480,494            | -                    | -  | -                         | 3,480,494             |
| IB                                     | 75,000               | -                    | -  | -                         | 75,000                |
| CTE                                    | <u>585,621</u>       | <u>-</u>             | <u>-</u>                                   | <u>-</u>                  | <u>585,621</u>        |
| Subtotal assigned                      | <u>4,141,115</u>     | <u>-</u>             | <u>-</u>                                   | <u>-</u>                  | <u>4,141,115</u>      |
| Unassigned:                            |                      |                      |  |                           |                       |
| Designated for economic<br>uncertainty | 5,700,000            | -                    | -  | -                         | 5,700,000             |
| Undesignated                           | <u>308,969</u>       | <u>-</u>             | <u>-</u>                                   | <u>-</u>                  | <u>308,969</u>        |
| Subtotal unassigned                    | <u>6,008,969</u>     | <u>-</u>             | <u>-</u>                                   | <u>-</u>                  | <u>6,008,969</u>      |
| Total fund balances                    | <u>\$ 36,494,953</u> | <u>\$ 42,818,800</u> | <u>\$ 24,928,734</u>                       | <u>\$ 17,986,184</u>      | <u>\$ 122,228,671</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 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

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* – 10.73 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, 2016

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

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 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, 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 \$9,511,596 to the plan for the fiscal year ended June 30, 2016.

*State* - 7.391 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, 2016

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

The CalSTRS state contribution rates effective for fiscal year 2015-16 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, 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%               | 4.517%*  |

\* 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, 2016, 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                           | \$ 114,579,000        |
| State’s proportionate share of the net pension liability associated with the District | <u>60,599,000</u>     |
| Total   | <u>\$ 175,178,000</u> |

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2015, the District’s proportion was 0.170 percent, which was an decrease of 0.001 percent from its proportion measured as of June 30, 2014.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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

For the year ended June 30, 2016, the District recognized pension expense of \$14,883,734 and revenue of \$6,089,148 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ -                                      | \$ 1,915,000                             |
| Changes of assumptions  | -   | -  |
| Net differences between projected and actual earnings on investments  | -   | 9,340,000                                |
| Changes in proportion and differences between District contributions and proportionate share of contributions | -   | 659,000                                  |
| Contributions made subsequent to measurement date   | <u>9,511,596</u>                          | <u>-</u>                                 |
| Total   | <u>\$ 9,511,596</u>                       | <u>\$ 11,914,000</u>                     |

\$9,511,596 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<br><u>June 30,</u> |                |
|--------------------------------|----------------|
| 2017                           | \$ (4,294,433) |
| 2018                           | \$ (4,294,433) |
| 2019                           | \$ (4,294,434) |
| 2020                           | \$ 1,826,967   |
| 2021                           | \$ (428,833)   |
| 2022                           | \$ (428,834)   |

Differences between expected and actual experience, changes in proportion 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 the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

|                                   |   |
|-----------------------------------|---|
| Valuation Date                    | June 30, 2014                                     |
| 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<br>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, 2016

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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%<br>Decrease<br>(6.60%) | Current<br>Discount<br>Rate (7.60%) | 1%<br>Increase<br>(8.60%) |
|--|---------------------------|-------------------------------------|---------------------------|
| District’s proportionate share of<br>the net pension liability | <u>\$173,005,000</u>      | <u>\$114,579,000</u>                | <u>\$ 66,022,000</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, 2016

**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, 2016 were as follows:

*Members* - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

*Employers* - The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$3,582,309 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$36,423,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2015, the District’s proportion was 0.247 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,144,589. June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience   | \$ 2,081,000                      | \$ -                             |
| Changes of assumptions  | -                                 | 2,238,000                        |
| Net differences between projected and actual earnings on investments  | -                                 | 1,247,000                        |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 161,000                           | -                                |
| Contributions made subsequent to measurement date   | <u>3,582,309</u>                  | <u>-</u>                         |
| Total   | <u>\$ 5,824,309</u>               | <u>\$ 3,485,000</u>              |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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

\$3,582,309 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, 2017. 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<br><u>June 30,</u> |    |           |
|--------------------------------|----|-----------|
| 2017                           | \$ | (310,083) |
| 2018                           | \$ | (310,083) |
| 2019                           | \$ | (310,084) |
| 2020                           | \$ | (312,750) |

Differences between expected and actual experience, changes in proportion 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 the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

|                                   |  |
|-----------------------------------|--|
| Valuation Date                    | June 30, 2014  |
| Experience Study                  | July 1, 2006, through June 30, 2010  |
| Actuarial Cost Method             | Entry age normal   |
| Investment Rate of Return         | 7.65%  |
| 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, 2014 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, 2016

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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*<br/>Assumed Asset<br/>Allocation</u> | <u>Expected Real<br/>Rate of Return</u> |
|-----------------------------|--|---|
| Global Equity               | 51%  | 5.25%                                   |
| Global Fixed Income         | 19   | 0.99                                    |
| Inflation Sensitive         | 6  | 0.45                                    |
| Private Equity              | 10   | 6.83                                    |
| Real Estate                 | 10   | 4.50                                    |
| Infrastructure & Forestland | 2  | 4.50                                    |
| Liquidity                   | 2  | (0.55)                                  |

\* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

The discount rate was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

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, 2016

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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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

|   | 1%<br>Decrease<br><u>(6.65%)</u> | Current<br>Discount<br>Rate <u>(7.65%)</u> | 1%<br>Increase<br><u>(8.65%)</u> |
|---|----------------------------------|--|----------------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 59,281,000</u>             | <u>\$ 36,423,000</u>                       | <u>\$ 17,414,000</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, 2016

**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               | \$ 26,116,513               |
| Interest on net OPEB obligation            | 1,175,674                   |
| Adjustment to annual required contribution | <u>(27,835,092)</u>         |
| Annual OPEB cost (expense)                 | (542,905)                   |
| Contributions made                         | <u>746,162</u>              |
| Increase in net OPEB obligation            | (1,289,067)                 |
| Net OPEB obligation - beginning of year    | <u>27,368,953</u>           |
| Net OPEB obligation - end of year          | <u><u>\$ 26,079,886</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, 2016 and preceding two years were as follows:

| Fiscal Year<br><u>Ended</u> | Annual<br>OPEB Cost<br><u>(Expense)</u> | Percentage<br>of Annual<br>OPEB Cost<br><u>Contributed</u> | Net OPEB<br><u>Obligation</u> |
|-----------------------------|---|--|-------------------------------|
| June 30, 2014               | \$ 1,966,166                            | 25.7%  | \$ 26,126,098                 |
| June 30, 2015               | \$ 2,046,389                            | 39.3%  | \$ 27,368,953                 |
| June 30, 2016               | \$ (542,905)                            | -137.4%  | \$ 26,079,886                 |

As of November 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$23,496,710, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,496,710. The covered payroll (annual payroll of active employees covered by the Plan) was \$116.9 million, and the ratio of the UAAL to the covered payroll was 20 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, 2016

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**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 November 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 2.75 percent inflation assumption. The District's obligation was fully amortized as of June 30, 2016.

**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 (the latest information available) and SIA as of June 30, 2016:

|                                | <u>SELF</u>    | <u>SIA</u>     |
|--------------------------------|----------------|----------------|
| Total assets                   | \$ 154,727,271 | \$ 129,096,497 |
| Deferred outflows of resources | \$ 99,437      | \$ 500,810     |
| Total liabilities              | \$ 122,470,926 | \$ 62,191,832  |
| Deferred inflows of resources  | \$ 166,153     | \$ 537,317     |
| Net position                   | \$ 32,189,629  | \$ 66,868,158  |
| Total revenue                  | \$ 11,968,752  | \$ 51,997,994  |
| Total expenses                 | \$ 23,063,637  | \$ 47,289,677  |

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.

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(Continued)

**NOTE 11 - CONTINGENCIES**

Contingent Liabilities: 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.

Construction Commitments: As of June 30, 2016, the District has \$26 million in outstanding commitments on construction contracts.

**NOTE 12 - SUBSEQUENT EVENT**

On December 1, 2016, the District issued \$10,000,000 of Election of 2007 General Obligation Bonds Series C. The bonds mature in varying amounts through October 2041 with interest rates from 3.0% to 5.0%.

On December 1, 2016, the District issued \$13,000,000 of Election of 2012 General Obligation Bonds Series C. The bonds mature in varying amounts through October 2041 with interest rates from 3.0% to 5.0%.

On December 1, 2016, the District issued \$60,000,000 of Election of 2014 General Obligation Bonds Series B. The bonds mature in varying amounts through October 2041 with interest rates from 3.0% to 5.0%.

**REQUIRED SUPPLEMENTARY INFORMATION**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016

|  | Budget               |                      | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|--|----------------------|----------------------|----------------------|--|
|  | Original             | Final                |                      |  |
| <b>Revenues:</b>                             |                      |                      |                      |  |
| Local Control Funding Formula (LCFF):        |                      |                      |                      |  |
| State apportionment                          | \$ 101,739,343       | \$ 101,753,094       | \$ 102,097,306       | \$ 344,212                             |
| Local sources                                | <u>41,643,535</u>    | <u>45,336,557</u>    | <u>45,155,212</u>    | <u>(181,345)</u>                       |
| Total LCFF                                   | <u>143,382,878</u>   | <u>147,089,651</u>   | <u>147,252,518</u>   | <u>162,867</u>                         |
| Federal sources                              | 8,048,527            | 9,424,526            | 9,385,163            | (39,363)                               |
| Other state sources                          | 26,688,559           | 27,444,489           | 33,457,986           | 6,013,497                              |
| Other local sources                          | <u>4,329,843</u>     | <u>6,674,809</u>     | <u>7,004,026</u>     | <u>329,217</u>                         |
| Total revenues                               | <u>182,449,807</u>   | <u>190,633,475</u>   | <u>197,099,693</u>   | <u>6,466,218</u>                       |
| <b>Expenditures:</b>                         |                      |                      |                      |  |
| Current:                                     |                      |                      |                      |  |
| Certificated salaries                        | 86,334,383           | 88,062,190           | 88,002,247           | 59,943                                 |
| Classified salaries                          | 30,933,858           | 30,750,049           | 30,627,078           | 122,971                                |
| Employee benefits                            | 35,788,646           | 36,503,344           | 36,314,406           | 188,938                                |
| Books and supplies                           | 10,612,493           | 10,352,177           | 9,529,817            | 822,360                                |
| Contract services and operating expenditures | 15,634,447           | 18,612,027           | 18,487,197           | 124,830                                |
| Other outgo                                  | 190,631              | 240,570              | 222,326              | 18,244                                 |
| Capital outlay                               | 79,000               | 2,441,201            | 2,094,745            | 346,456                                |
| Debt service:                                |                      |                      |                      |  |
| Principal retirement                         | -                    | -                    | 51,113               | (51,113)                               |
| Interest                                     | <u>-</u>             | <u>-</u>             | <u>11,374</u>        | <u>(11,374)</u>                        |
| Total expenditures                           | <u>179,573,458</u>   | <u>186,961,558</u>   | <u>185,340,303</u>   | <u>1,621,255</u>                       |
| Excess of revenues over expenditures         | <u>2,876,349</u>     | <u>3,671,917</u>     | <u>11,759,390</u>    | <u>8,087,473</u>                       |
| <b>Other financing sources (uses):</b>       |                      |                      |                      |  |
| Transfers in                                 | 517,823              | 478,949              | 459,292              | (19,657)                               |
| Transfers out                                | <u>(1,494,139)</u>   | <u>(2,145,759)</u>   | <u>(2,137,354)</u>   | <u>8,405</u>                           |
| Total other financing sources (uses)         | <u>(976,316)</u>     | <u>(1,666,810)</u>   | <u>(1,678,062)</u>   | <u>(11,252)</u>                        |
| Net change in fund balance                   | 1,900,033            | 2,005,107            | 10,081,328           | 8,076,221                              |
| Fund balance, July 1, 2015                   | <u>26,413,625</u>    | <u>26,413,625</u>    | <u>26,413,625</u>    | <u>-</u>                               |
| Fund balance, June 30, 2016                  | <u>\$ 28,313,658</u> | <u>\$ 28,418,732</u> | <u>\$ 36,494,953</u> | <u>\$ 8,076,221</u>                    |

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 For the Year Ended June 30, 2016

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| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Schedule of Funding Progress               |   | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage<br>of<br>Covered<br>Payroll |
|--------------------------------|---------------------------------|--|---|-----------------|--------------------|---|
|                                |                                 | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL) |                 |                    |   |
| July 1, 2010                   | \$ -                            | \$2,280,260                                | \$2,280,260   | 0%              | \$102.4 million    | 24%   |
| July 1, 2012                   | \$ -                            | \$23,115,538                               | \$23,115,538  | 0%              | \$99.8 million     | 23%   |
| November 1, 2015               | \$ -                            | \$23,496,710                               | \$23,496,710  | 0%              | \$116.9 million    | 20%   |

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2016

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

|   | <u>2015</u>           | <u>2016</u>           |
|---|-----------------------|-----------------------|
| District's proportion of the net pension liability  | 0.171%                | 0.170%                |
| District's proportionate share of the net pension liability   | \$ 100,071,000        | \$ 114,579,000        |
| State's proportionate share of the net pension liability associated with the District                       | <u>60,427,000</u>     | <u>60,599,000</u>     |
| Total net pension liability   | <u>\$ 160,498,000</u> | <u>\$ 175,178,000</u> |
| District's covered-employee payroll   | \$ 76,273,000         | \$ 78,993,000         |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 131.20%               | 145.05%               |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 76.52%                | 74.02%                |

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.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2016

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

|  | <u>2015</u>   | <u>2016</u>   |
|--|---------------|---------------|
| District's proportion of the net pension liability   | 0.246%        | 0.247%        |
| District's proportionate share of the net pension liability  | \$ 27,891,000 | \$ 36,423,000 |
| District's covered-employee payroll  | \$ 27,356,000 | \$ 27,356,000 |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 101.96%       | 133.14%       |
| Plan fiduciary net position as a percentage of the total<br>pension liability                                  | 83.38%        | 79.43%        |

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, 2016

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

|  | <u>2015</u>      | <u>2016</u>      |
|--|------------------|------------------|
| Contractually required contribution                                  | \$ 7,014,586     | \$ 9,511,596     |
| Contributions in relation to the contractually required contribution | <u>7,014,586</u> | <u>9,511,596</u> |
| District's covered-employee payroll                                  | \$ 78,993,000    | \$ 88,645,000    |
| Contributions as a percentage of covered-employee payroll            | 8.88%            | 10.73%           |

All years prior to 2015 are not available.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2016

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

|  | <u>2015</u>      | <u>2016</u>      |
|--|------------------|------------------|
| Contractually required contribution                                  | \$ 3,220,090     | \$ 3,582,309     |
| Contributions in relation to the contractually required contribution | <u>3,220,090</u> | <u>3,582,309</u> |
| District's covered-employee payroll                                  | \$ 27,356,000    | \$ 30,238,000    |
| Contributions as a percentage of covered-employee payroll            | 11.77%           | 11.85%           |

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

The discount rate for Public Employer's Retirement Fund B was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

**SUPPLEMENTARY INFORMATION**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2016

|                                      | Charter<br>School<br>Fund | Adult<br>Education<br>Fund | Child<br>Develop-<br>ment<br>Fund | Cafeteria<br>Fund   | Deferred<br>Maintenance<br>Fund | Capital<br>Facilities<br>Fund | Special<br>Reserve for<br>Capital<br>Projects<br>Fund | Total                |
|--------------------------------------|---------------------------|----------------------------|-----------------------------------|---------------------|---------------------------------|-------------------------------|---|----------------------|
| <b>ASSETS</b>                        |                           |                            |                                   |                     |                                 |                               |   |                      |
| Cash in County Treasury              | \$ 121,079                | \$ 1,085,307               | \$ 365,447                        | \$ 527,642          | \$ 2,968,673                    | \$ 5,153,944                  | \$ 6,175,065  | \$ 16,397,157        |
| Cash on hand and in banks            | -                         | 13,768                     | -                                 | 60,878              | -                               | 34,834                        | 15,869  | 125,349              |
| Cash in revolving fund               | 10,000                    | -                          | -                                 | -                   | -                               | -                             | -   | 10,000               |
| Receivables                          | 14,355                    | 51,632                     | 1,766                             | 858,411             | 7,089                           | 833,498                       | 30,756  | 1,797,507            |
| Due from other funds                 | 375,245                   | 71                         | 738                               | 57,419              | 124,413                         | 531,317                       | 200,000   | 1,289,203            |
| Stores inventory                     | -                         | -                          | -                                 | 25,165              | -                               | -                             | -   | 25,165               |
| Total assets                         | <u>\$ 520,679</u>         | <u>\$ 1,150,778</u>        | <u>\$ 367,951</u>                 | <u>\$ 1,529,515</u> | <u>\$ 3,100,175</u>             | <u>\$ 6,553,593</u>           | <u>\$ 6,421,690</u>                                   | <u>\$ 19,644,381</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                           |                            |                                   |                     |                                 |                               |   |                      |
| Liabilities:                         |                           |                            |                                   |                     |                                 |                               |   |                      |
| Accounts payable                     | \$ 11,039                 | \$ 7,447                   | \$ 24,732                         | \$ 71,837           | \$ 68,909                       | \$ 1,011,904                  | \$ -  | \$ 1,195,868         |
| Unearned Revenue                     | -                         | -                          | 132,419                           | -                   | -                               | -                             | -   | 132,419              |
| Due to other funds                   | <u>277,612</u>            | <u>-</u>                   | <u>37,893</u>                     | <u>2,848</u>        | <u>-</u>                        | <u>11,557</u>                 | <u>-</u>  | <u>329,910</u>       |
| Total liabilities                    | <u>288,651</u>            | <u>7,447</u>               | <u>195,044</u>                    | <u>74,685</u>       | <u>68,909</u>                   | <u>1,023,461</u>              | <u>-</u>  | <u>1,658,197</u>     |
| Fund balances:                       |                           |                            |                                   |                     |                                 |                               |   |                      |
| Nonspendable                         | 10,000                    | -                          | -                                 | 25,165              | -                               | -                             | -   | 35,165               |
| Restricted                           | <u>222,028</u>            | <u>1,143,331</u>           | <u>172,907</u>                    | <u>1,429,665</u>    | <u>3,031,266</u>                | <u>5,530,132</u>              | <u>6,421,690</u>                                      | <u>17,951,019</u>    |
| Total fund balances                  | <u>232,028</u>            | <u>1,143,331</u>           | <u>172,907</u>                    | <u>1,454,830</u>    | <u>3,031,266</u>                | <u>5,530,132</u>              | <u>6,421,690</u>                                      | <u>17,986,184</u>    |
| Total liabilities and fund balances  | <u>\$ 520,679</u>         | <u>\$ 1,150,778</u>        | <u>\$ 367,951</u>                 | <u>\$ 1,529,515</u> | <u>\$ 3,100,175</u>             | <u>\$ 6,553,593</u>           | <u>\$ 6,421,690</u>                                   | <u>\$ 19,644,381</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, 2016

|   | Charter<br>School<br>Fund | Adult<br>Education<br>Fund | Child<br>Develop-<br>ment<br>Fund | Cafeteria<br>Fund   | Deferred<br>Maintenance<br>Fund | Capital<br>Facilities<br>Fund | Special<br>Reserve for<br>Capital<br>Projects<br>Fund | Total                |
|---|---------------------------|----------------------------|-----------------------------------|---------------------|---------------------------------|-------------------------------|---|----------------------|
| <b>Revenues:</b>  |                           |                            |                                   |                     |                                 |                               |   |                      |
| <b>LCFF:</b>  |                           |                            |                                   |                     |                                 |                               |   |                      |
| State apportionment   | \$ 728,369                | \$ -                       | \$ -                              | \$ -                | \$ -                            | \$ -                          | \$ -  | \$ 728,369           |
| Local sources   | <u>375,245</u>            | <u>-</u>                   | <u>-</u>                          | <u>-</u>            | <u>650,566</u>                  | <u>-</u>                      | <u>-</u>  | <u>1,025,811</u>     |
| Total LCFF  | <u>1,103,614</u>          | <u>-</u>                   | <u>-</u>                          | <u>-</u>            | <u>650,566</u>                  | <u>-</u>                      | <u>-</u>  | <u>1,754,180</u>     |
| Federal sources   | -                         | 181,247                    | -                                 | 3,821,855           | -                               | -                             | -   | 4,003,102            |
| Other state sources   | 149,204                   | 640,507                    | 1,693,102                         | 276,379             | -                               | 253                           | -   | 2,759,445            |
| Other local sources   | <u>13,253</u>             | <u>445,146</u>             | <u>1,676</u>                      | <u>1,531,129</u>    | <u>7,087</u>                    | <u>6,029,340</u>              | <u>402,909</u>  | <u>8,430,540</u>     |
| Total revenues  | <u>1,266,071</u>          | <u>1,266,900</u>           | <u>1,694,778</u>                  | <u>5,629,363</u>    | <u>657,653</u>                  | <u>6,029,593</u>              | <u>402,909</u>  | <u>16,947,267</u>    |
| <b>Expenditures:</b>  |                           |                            |                                   |                     |                                 |                               |   |                      |
| <b>Current:</b>   |                           |                            |                                   |                     |                                 |                               |   |                      |
| Certificated salaries   | 561,112                   | 677,031                    | 47,670                            | -                   | -                               | -                             | -   | 1,285,813            |
| Classified salaries   | 52,422                    | 211,910                    | 846,007                           | 1,981,451           | 111,136                         | 447,570                       | -   | 3,650,496            |
| Employee benefits   | 145,809                   | 227,719                    | 305,637                           | 650,387             | 29,960                          | 131,628                       | -   | 1,491,140            |
| Books and supplies  | 91,977                    | 65,395                     | 150,026                           | 2,493,786           | 37,886                          | 39,199                        | -   | 2,878,269            |
| Contract services and<br>operating expenditures                 | 383,609                   | 57,651                     | 42,453                            | 160,109             | 727,844                         | 74,245                        | 10,625  | 1,456,536            |
| Capital outlay  | -                         | 9,045                      | 120,807                           | 20,987              | 158,074                         | 2,468,996                     | -   | 2,777,909            |
| <b>Debt service:</b>  |                           |                            |                                   |                     |                                 |                               |   |                      |
| Principal retirement  | -                         | -                          | 1,702                             | 3,467               | -                               | 2,844,831                     | 40,945  | 2,890,945            |
| Interest  | <u>-</u>                  | <u>-</u>                   | <u>465</u>                        | <u>948</u>          | <u>-</u>                        | <u>624,690</u>                | <u>2,751</u>  | <u>628,854</u>       |
| Total expenditures  | <u>1,234,929</u>          | <u>1,248,751</u>           | <u>1,514,767</u>                  | <u>5,311,135</u>    | <u>1,064,900</u>                | <u>6,631,159</u>              | <u>54,321</u>   | <u>17,059,962</u>    |
| Excess (deficiency) of<br>revenues over (under)<br>expenditures | <u>31,142</u>             | <u>18,149</u>              | <u>180,011</u>                    | <u>318,228</u>      | <u>(407,247)</u>                | <u>(601,566)</u>              | <u>348,588</u>  | <u>(112,695)</u>     |
| <b>Other financing sources (uses):</b>                          |                           |                            |                                   |                     |                                 |                               |   |                      |
| Transfers in  | -                         | 88,356                     | 2,168                             | 53,228              | 1,200,000                       | 1,029,694                     | 200,000   | 2,573,446            |
| Transfers out   | -                         | -                          | (75,971)                          | (266,120)           | -                               | -                             | -   | (342,091)            |
| Proceeds from sale of capital asset                             | <u>-</u>                  | <u>-</u>                   | <u>-</u>                          | <u>-</u>            | <u>-</u>                        | <u>-</u>                      | <u>466,712</u>  | <u>466,712</u>       |
| Total other financing<br>sources (uses)                         | <u>-</u>                  | <u>88,356</u>              | <u>(73,803)</u>                   | <u>(212,892)</u>    | <u>1,200,000</u>                | <u>1,029,694</u>              | <u>666,712</u>  | <u>2,698,067</u>     |
| Net change in fund<br>balances                                  | 31,142                    | 106,505                    | 106,208                           | 105,336             | 792,753                         | 428,128                       | 1,015,300   | 2,585,372            |
| Fund balances, July 1, 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>5,102,004</u>              | <u>5,406,390</u>                                      | <u>15,400,812</u>    |
| Fund balances, June 30, 2016                                    | <u>\$ 232,028</u>         | <u>\$ 1,143,331</u>        | <u>\$ 172,907</u>                 | <u>\$ 1,454,830</u> | <u>\$ 3,031,266</u>             | <u>\$ 5,530,132</u>           | <u>\$ 6,421,690</u>                                   | <u>\$ 17,986,184</u> |

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2016

|                              | Balance<br>July 1,<br>2015 | <u>Additions</u>    | <u>Deductions</u>   | Balance<br>June 30,<br>2016 |
|------------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| <b>Deferred Compensation</b> |                            |                     |                     |                             |
| Assets:                      |                            |                     |                     |                             |
| Cash on hand and in banks    | \$ -                       | \$ -                | \$ -                | \$ -                        |
| Deferred compensation        | <u>921,839</u>             | <u>65,554</u>       | <u>-</u>            | <u>987,393</u>              |
| Total assets                 | <u>\$ 921,839</u>          | <u>\$ 65,554</u>    | <u>\$ -</u>         | <u>\$ 987,393</u>           |
| Liabilities:                 |                            |                     |                     |                             |
| Deferred compensation        | \$ 921,839                 | \$ 65,554           | \$ -                | \$ 987,393                  |
| Due to student groups        | <u>-</u>                   | <u>-</u>            | <u>-</u>            | <u>-</u>                    |
| Total liabilities            | <u>\$ 921,839</u>          | <u>\$ 65,554</u>    | <u>\$ -</u>         | <u>\$ 987,393</u>           |
| <b>Student Body</b>          |                            |                     |                     |                             |
| <u>High Schools</u>          |                            |                     |                     |                             |
| Assets:                      |                            |                     |                     |                             |
| Cash on hand and in banks    | \$ 908,039                 | \$ 1,936,314        | \$ 2,000,738        | \$ 843,615                  |
| Deferred compensation        | <u>-</u>                   | <u>-</u>            | <u>-</u>            | <u>-</u>                    |
| Total assets                 | <u>\$ 908,039</u>          | <u>\$ 1,936,314</u> | <u>\$ 2,000,738</u> | <u>\$ 843,615</u>           |
| Liabilities:                 |                            |                     |                     |                             |
| Deferred compensation        | \$ -                       | \$ -                | \$ -                | \$ -                        |
| Due to student groups        | <u>908,039</u>             | <u>1,936,314</u>    | <u>2,000,738</u>    | <u>843,615</u>              |
| Total liabilities            | <u>\$ 908,039</u>          | <u>\$ 1,936,314</u> | <u>\$ 2,000,738</u> | <u>\$ 843,615</u>           |
| <u>Middle Schools</u>        |                            |                     |                     |                             |
| Assets:                      |                            |                     |                     |                             |
| Cash on hand and in banks    | \$ 375,113                 | \$ 395,961          | \$ 347,235          | \$ 423,839                  |
| Deferred compensation        | <u>-</u>                   | <u>-</u>            | <u>-</u>            | <u>-</u>                    |
| Total assets                 | <u>\$ 375,113</u>          | <u>\$ 395,961</u>   | <u>\$ 347,235</u>   | <u>\$ 423,839</u>           |
| Liabilities:                 |                            |                     |                     |                             |
| Deferred compensation        | \$ -                       | \$ -                | \$ -                | \$ -                        |
| Due to student groups        | <u>375,113</u>             | <u>395,961</u>      | <u>347,235</u>      | <u>423,839</u>              |
| Total liabilities            | <u>\$ 375,113</u>          | <u>\$ 395,961</u>   | <u>\$ 347,235</u>   | <u>\$ 423,839</u>           |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2016

|                                 | Balance<br>July 1,<br>2015 | <u>Additions</u>    | <u>Deductions</u>   | Balance<br>June 30,<br>2016 |
|---------------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| <b>Student Body (Continued)</b> |                            |                     |                     |                             |
| <u>Elementary Schools</u>       |                            |                     |                     |                             |
| Assets:                         |                            |                     |                     |                             |
| Cash on hand and in banks       | \$ 214,379                 | \$ 746,816          | \$ 723,887          | \$ 237,308                  |
| Deferred compensation           | <u>-</u>                   | <u>-</u>            | <u>-</u>            | <u>-</u>                    |
| Total assets                    | <u>\$ 214,379</u>          | <u>\$ 746,816</u>   | <u>\$ 723,887</u>   | <u>\$ 237,308</u>           |
| Liabilities:                    |                            |                     |                     |                             |
| Deferred compensation           | \$ -                       | \$ -                | \$ -                | \$ -                        |
| Due to student groups           | <u>214,379</u>             | <u>746,816</u>      | <u>723,887</u>      | <u>237,308</u>              |
| Total liabilities               | <u>\$ 214,379</u>          | <u>\$ 746,816</u>   | <u>\$ 723,887</u>   | <u>\$ 237,308</u>           |
| <b>Total Agency Funds</b>       |                            |                     |                     |                             |
| Assets:                         |                            |                     |                     |                             |
| Cash on hand and in banks       | \$ 1,497,531               | \$ 3,079,091        | \$ 3,071,860        | \$ 1,504,762                |
| Deferred compensation           | <u>921,839</u>             | <u>65,554</u>       | <u>-</u>            | <u>987,393</u>              |
| Total assets                    | <u>\$ 2,419,370</u>        | <u>\$ 3,144,645</u> | <u>\$ 3,071,860</u> | <u>\$ 2,492,155</u>         |
| Liabilities:                    |                            |                     |                     |                             |
| Deferred compensation           | \$ 921,839                 | \$ 65,554           | \$ -                | \$ 987,393                  |
| Due to student groups           | <u>1,497,531</u>           | <u>3,079,091</u>    | <u>3,071,860</u>    | <u>1,504,762</u>            |
| Total liabilities               | <u>\$ 2,419,370</u>        | <u>\$ 3,144,645</u> | <u>\$ 3,071,860</u> | <u>\$ 2,492,155</u>         |

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2016

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

ADMINISTRATION

Deborah Bettencourt  
Superintendent

Rhonda Crawford  
Assistant Superintendent/ Business Services

Curtis Wilson  
Assistant Superintendent, Elementary Instruction

Kathryn Allman  
Assistant Superintendent, Secondary Instruction

Karen Knight  
Assistant Superintendent, Human Resources

Betty Jo Wessinger  
Director of SELPA, Student Support Services

Kristi Blandford  
Director of Fiscal Services

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2016

|  | <u>Second<br/>Period<br/>Report</u> | <u>Annual<br/>Report</u> |
|--|-------------------------------------|--------------------------|
| <b>DISTRICT</b>  |                                     |                          |
| Elementary:  |                                     |                          |
| Transitional Kindergarten through Third                          | 5,745                               | 5,744                    |
| Fourth through Sixth   | 4,467                               | 4,492                    |
| Seventh and Eighth   | 2,934                               | 2,929                    |
| Special Education  | 21                                  | 22                       |
| Community Day School   | <u>-</u>                            | <u>10</u>                |
| Subtotal Elementary  | <u>13,167</u>                       | <u>13,197</u>            |
| Secondary:   |                                     |                          |
| Ninth through Twelfth  | 5,682                               | 5,645                    |
| Special Education  | 27                                  | 28                       |
| Community Day School   | <u>26</u>                           | <u>18</u>                |
| Subtotal Secondary   | <u>5,735</u>                        | <u>5,691</u>             |
| District Totals  | <u><u>18,902</u></u>                | <u><u>18,888</u></u>     |
| <b>CHARTER SCHOOL</b>  |                                     |                          |
| Folsom Cordova Community Charter School<br>(Nonclassroom Based): |                                     |                          |
| Transitional Kindergarten through Third                          | 59                                  | 59                       |
| Fourth through Sixth   | 59                                  | 59                       |
| Seventh and Eighth   | <u>39</u>                           | <u>39</u>                |
| Charter School Total   | <u><u>157</u></u>                   | <u><u>157</u></u>        |

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2016

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| <u>Grade Level</u> | <u>Statutory<br/>Minutes<br/>Require-<br/>ment</u> | <u>2015-16<br/>Actual<br/>Minutes</u> | <u>Number<br/>of Days<br/>Traditional<br/>Calendar</u> | <u>Status</u> |
|--------------------|--|---------------------------------------|--|---------------|
| <b>DISTRICT</b>    |  |                                       |  |               |
| Kindergarten       | 36,000   | 36,381                                | 181  | In compliance |
| Grade 1            | 50,400   | 53,028                                | 181  | In compliance |
| Grade 2            | 50,400   | 53,028                                | 181  | In compliance |
| Grade 3            | 50,400   | 54,348                                | 181  | In compliance |
| Grade 4            | 54,000   | 54,348                                | 181  | In compliance |
| Grade 5            | 54,000   | 54,348                                | 181  | In compliance |
| Grade 6            | 54,000   | 54,348                                | 181  | In compliance |
| Grade 7            | 54,000   | 60,365                                | 181  | In compliance |
| Grade 8            | 54,000   | 60,365                                | 181  | In compliance |
| Grade 9            | 64,800   | 65,273                                | 181  | In compliance |
| Grade 10           | 64,800   | 65,273                                | 181  | In compliance |
| Grade 11           | 64,800   | 65,273                                | 181  | In compliance |
| Grade 12           | 64,800   | 65,273                                | 181  | 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, 2016

| Federal<br>Catalog<br>Number  | Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title                        | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Federal<br>Expend-<br>itures |
|---|---|---|------------------------------|
| <u>U.S. Department of Education - Passed through California Department<br/>of Education</u> |   |   |                              |
| Special Education Cluster:  |   |   |                              |
| 84.027  | Special Education: IDEA Basic Local Assistance<br>Entitlement, Part B, Section 611      | 10115   | \$ 3,794,674                 |
| 84.027  | Special Education: IDEA Local Assistance, Part B,<br>Sec 611, Private School ISPs       | 10115   | 24,400                       |
| 84.173A   | Special Education: IDEA Preschool Staff<br>Development, Part B, Section 619             | 13431   | 1,000                        |
| 84.173  | Special Education: IDEA Preschool Staff<br>Development, Part B, Section 619             | 13430   | 141,867                      |
| 84.027A   | Special Education: IDEA Preschool Local<br>Entitlement, Part B, Section 611 (Age 3-4-5) | 13682   | 198,656                      |
| 84.173A   | Special Ed: Alternate Dispute Resolution,<br>Part B, Sec 611                            | 13007   | 17,689                       |
| 84.027A   | Special Education: IDEA Mental Health<br>Services                                       | 15197   | <u>214,659</u>               |
| Subtotal Special Education Cluster  |   |   | <u>4,392,945</u>             |
| Adult Education Programs:   |   |   |                              |
| 84.002A   | Adult Education: Adult Basic Education & ESL  | 14508   | 67,301                       |
| 84.002  | Adult Education: Adult Secondary Education  | 13978   | 90,277                       |
| 84.002A   | Adult Education: English Literacy & Civics<br>Education Local Grant                     | 14109   | <u>23,669</u>                |
| Subtotal Adult Education Programs   |   |   | <u>181,247</u>               |
| NCLB: Title II, Part A Programs:  |   |   |                              |
| 84.367  | NCLB: Title II, Part A, Improving Teacher Quality<br>Local Grants                       | 14341   | 562,229                      |
| 84.367  | NCLB: Title II, Part A, Administrator Training  | 14344   | <u>3,786</u>                 |
| Subtotal NCLB: Title II, Part A   |   |   | <u>566,015</u>               |
| 84.010  | NCLB: Title I, Part A, Basic Grants Low-Income<br>and Neglected                         | 14329   | 3,375,174                    |
| 84.330B   | NCLB: Title I, Part G, Advanced Placement<br>Test Fee                                   | 14831   | 4,754                        |
| 84.365  | NCLB: Title III, Limited English Proficient (LEP)<br>Student Program                    | 14346   | 276,616                      |
| 84.196  | NCLB: Title X McKinney-Vento Homeless Children<br>Assistance Grants                     | 14332   | 120,970                      |

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2016  
 (Continued)

| <u>Federal<br/>Catalog<br/>Number</u>   | <u>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</u>                        | <u>Pass-<br/>Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Federal<br/>Expend-<br/>itures</u> |
|---|---|--|---------------------------------------|
| <u>U.S. Department of Education - Passed through California Department<br/>of Education (continued)</u>     |   |  |                                       |
| 84.048  | Carl D.Perkins Career and Technical Education:<br>Secondary, Section 131 (Vocational Education) | 14894  | \$ 131,767                            |
| 84.181  | Special Education: IDEA Early Intervention<br>Grants, Part C                                    | 23761  | <u>91,745</u>                         |
| Total U.S. Department of Education  |   |  | <u>9,141,233</u>                      |
| <u>U.S. Department of Health and Human Services - Passed through<br/>California Department of Education</u> |   |  |                                       |
| Medi-Cal Billing Option Programs  |   |  |                                       |
| 93.778  | Dept of Health Care Services (DHCS): Medi-Cal<br>Billing Option                                 | 10013  | 107,771                               |
| 93.778  | Medi-Cal Administrative Activities (MAA)  | 10060  | <u>172,766</u>                        |
| Total Medi-Cal Billing Programs   |   |  | <u>280,537</u>                        |
| Total U.S. Department of Health and Human Services  |   |  | <u>280,537</u>                        |
| <u>U.S. Department of Agriculture - Passed through California<br/>Department of Education</u>               |   |  |                                       |
| 10.555  | Child Nutrition: School Programs  | 13391  | 3,560,167                             |
| 10.558  | Child Nutrition: CACFP Claims - Centers and Family<br>Day Care                                  | 13393  | <u>225,101</u>                        |
| Total U.S. Department of Agriculture  |   |  | <u>3,785,268</u>                      |
| Total Federal Programs  |   |  | <u>\$ 13,207,038</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, 2016

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|  | Student Care<br>Center<br>Fund |
|--|--------------------------------|
| June 30, 2016 Unaudited Actual Financial Reporting<br>Ending Fund Balance: | \$ 1,725,673                   |
| Adjustment for GASB 68   | <u>(1,022,043)</u>             |
| June 30, 2016 Audit Financial Statements Ending<br>Fund Balance            | <u>\$ 703,630</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, 2016  
 (Unaudited)

|  | (Budgeted)<br><u>2017</u> | <u>2016</u>          | <u>2015</u>           | <u>2014</u>           |
|--|---------------------------|----------------------|-----------------------|-----------------------|
| <b>General Fund</b>                              |                           |                      |                       |                       |
| Revenues and other financing sources             | <u>\$187,914,784</u>      | <u>\$197,558,985</u> | <u>\$163,270,794</u>  | <u>\$148,172,456</u>  |
| Expenditures                                     | 190,136,751               | 185,340,303          | 162,276,737           | 152,977,662           |
| Other uses and transfers out                     | <u>2,126,798</u>          | <u>2,137,354</u>     | <u>2,526,593</u>      | <u>1,572,589</u>      |
| Total outgo                                      | <u>192,263,549</u>        | <u>187,477,657</u>   | <u>164,803,330</u>    | <u>154,550,251</u>    |
| Changes in fund balance                          | <u>\$ (4,348,765)</u>     | <u>\$ 10,081,328</u> | <u>\$ (1,532,536)</u> | <u>\$ (6,377,795)</u> |
| Ending fund balance                              | <u>\$ 32,146,188</u>      | <u>\$ 36,494,953</u> | <u>\$ 26,413,625</u>  | <u>\$ 27,946,161</u>  |
| Available reserves                               | <u>\$ 5,755,087</u>       | <u>\$ 6,008,969</u>  | <u>\$ 5,213,848</u>   | <u>\$ 5,221,527</u>   |
| Designated for economic uncertainties            | <u>\$ 5,750,000</u>       | <u>\$ 5,700,000</u>  | <u>\$ 4,875,000</u>   | <u>\$ 4,770,000</u>   |
| Undesignated fund balance                        | <u>\$ 5,087</u>           | <u>\$ 308,969</u>    | <u>\$ 338,848</u>     | <u>\$ 451,527</u>     |
| Available reserves as percentages of total outgo | <u>3.00%</u>              | <u>3.21%</u>         | <u>3.16%</u>          | <u>3.4%</u>           |
| <b>All Funds</b>                                 |                           |                      |                       |                       |
| Total long-term liabilities                      | <u>\$466,294,549</u>      | <u>\$487,145,826</u> | <u>\$398,063,152</u>  | <u>\$278,341,987</u>  |
| Average daily attendance at P-2                  | <u>18,902</u>             | <u>18,902</u>        | <u>18,419</u>         | <u>18,396</u>         |

The General Fund fund balance has increased by \$2,170,997 over the past three years. The fiscal year 2016-2017 budget projects an decrease of \$4,348,765. 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 deficit during the fiscal year 2016-2017.

Total long-term liabilities have increased by \$208,803,839 over the past two years, primarily due to debt issuance and recognition of net pension liability.

Average daily attendance has increased by 506 over the past two years. No change in ADA is projected for the 2016-2017 fiscal year.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2016

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| <u>Charter #</u> | <u>Charter Schools Chartered by District</u> | <u>Included in District Financial Statements, or Separate Report</u> |
|------------------|--|--|
| 0650             | Folsom Cordova 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, 2016

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|  | <u>First 5<br/>Sacramento</u> |
|--|-------------------------------|
| Revenues:                                    |                               |
| Other local sources                          | \$ <u>475,930</u>             |
| Expenditures:                                |                               |
| Certificated salaries                        | 102,559                       |
| Classified salaries                          | 237,964                       |
| Employee benefits                            | 81,666                        |
| Books and supplies                           | 25,078                        |
| Contract services and operating expenditures | 3,895                         |
| Indirect costs                               | <u>24,768</u>                 |
|  | <u>475,930</u>                |
| Net income                                   | -                             |
| Net position, beginning of year              | <u>-</u>                      |
| Net position, end of year                    | <u><u>\$ -</u></u>            |

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See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2016

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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. The District neither met nor exceeded its target funding. 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

The Schedule of Expenditure of Federal Awards includes the federal award activity of Folsom Cordova Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed on the Uniform Guidance.

| <u>Description</u>  | <u>CFDA<br/>Number</u> | <u>Amount</u>        |
|---|------------------------|----------------------|
| Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances |                        | \$ 13,388,265        |
| Less: Medi-Cal Billing Option funds not spent   | 93.778                 | (144,640)            |
| Child Nutrition: CACFP Claims - Centers and Family Day Care funds not spent             | 10.558                 | <u>(36,587)</u>      |
| Total Schedule of Expenditure of Federal Awards   |                        | <u>\$ 13,207,038</u> |

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

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

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 2016-2017 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

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(Continued)

**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

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, 2016, 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 *2015-16 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, 2016.

| <u>Description</u>  | <u>Procedures<br/>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                   |
| K3 Grade Span Adjustment  | Yes                             |
| Transportation Maintenance of Effort  | Yes                             |
| Educator Effectiveness  | 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                             |
| Unduplicated Local Control Funding Formula Pupil Counts                             | Yes                             |
| Local Control and Accountability Plan   | Yes                             |
| Independent Study – Course Based  | Yes                             |
| Immunizations   | Yes                             |
| Attendance, for charter schools   | Yes                             |
| Mode of Instruction, for charter schools  | No, see below                   |
| Nonclassroom-Based Instruction/Independent Study,<br>for charter schools            | Yes                             |
| Determination of Funding for Nonclassroom-Based<br>Instruction, for charter schools | Yes                             |
| Annual Instructional Minutes Classroom-Based,<br>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 program.

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 charter school 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 Folsom Cordova Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Folsom Cordova Unified School District's compliance 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.

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

As described in Finding 2016-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Folsom Cordova Unified School District did not comply with requirements regarding Attendance. Compliance with such requirements is necessary, in our opinion, for Folsom Cordova Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Attendance.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Folsom Cordova Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2016.

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(Continued)

## Other Matters

Folsom Cordova Unified School District's response to the noncompliance findings 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 our audit of compliance and, accordingly, we express no opinion on it.

## 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 *2015-16 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 13, 2016

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, 2016, 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 13, 2016.

### **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 certain matters in internal control that we communicated to management as described in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2016-001.

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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 13, 2016

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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

  
Crowe Horwath LLP

Sacramento, California  
December 13, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT

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, 2016.

***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, 2016.

  
Crowe Horwath LLP

Sacramento, California  
December 13, 2016

## **FINDINGS AND RECOMMENDATIONS**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2016

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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 2 CFR 200.516a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.555                | Child Nutrition: School Programs          |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 750,000

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

**STATE AWARDS**

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

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2016-001 DEFICIENCY- INTERNAL CONTROL- STUDENT BODY ACCOUNTING (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 Cordova Gardens Elementary School, there was no detailed schedule supporting the amount of cash turned in for a fieldtrip such as class roster with amounts the students turned in.

At Mills Middle School there were no detailed schedules defining the number of items sold and the unit price per item. In addition, there was no indication of review of the account analysis report summary, which would indicate reconciliation of record of sales (such as cash register/receipt books) to actual receipts.

At Cordova High School there was no indication inventory of the student store is done periodically. In addition, for one activity there were no detailed schedules defining the number of items sold and the unit price per item or what made up the cash receipts.

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 all school sites to ensure that they implement and follow all internal control procedures.

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(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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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, 2016

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2016-002 DEFICIENCY – STATE COMPLIANCE - ATTENDANCE (10000)**

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support attendance reported to the State.

Condition

At Cordova High School one student was improperly included for a total misstatement of 1 day.

Effect

The effect of this finding is an overstatement of 0.01 ADA in the ninth through twelfth grade span.

Cause

The errors were the result of clerical errors in accounting for attendance

Fiscal Impact

There is no fiscal impact as the effect is less than 0.5 ADA.

Recommendation

The District should ensure attendance records are correct.

Corrective Action Plan

At the annual in-service at the beginning of the 16/17 school year, District staff discussed with the sites the process and importance of having a detailed schedule supporting the amount of cash collected, a schedule for number of items sold and price per item. In addition, the District staff discussed the requirement for an audit/inventory of student stores and any items held on site to sell through the year. Fiscal services staff will continue to remind them, audit them and follow up with them.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2016

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| <u>Finding/Recommendation</u>   | <u>Current Status</u>  | <u>District Explanation<br/>If Not Implemented</u> |
|---|------------------------|--|
| <b>2015-001</b><br><br><u>Condition:</u> At Folsom Middle School, cash receipts were not supported by detailed schedules defining the number of items receipted and the unit price per item.<br><br><u>Recommendation:</u> School sites should implement the proper control procedures in order to protect ASB funds from misappropriation. | Partially implemented. | See current year finding 2016-001.                 |