

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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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, 2017, 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 the Folsom Cordova Unified School District, as of June 30, 2017, 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.

(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, the 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 55 to 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 15, 2017 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
Crowe Horwath LLP

Sacramento, California
December 15, 2017

Management Discussion & Analysis

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

Financial Reports

Two financial reports are included in the audit this year, the Statement of Net Position and the Statement of Activities, which begin on page 12. These two statements report the district-wide financial condition and activities. The individual fund statements which focus on reporting the District’s operations in more detail begin on page 14.

Overview of the Financial Statements

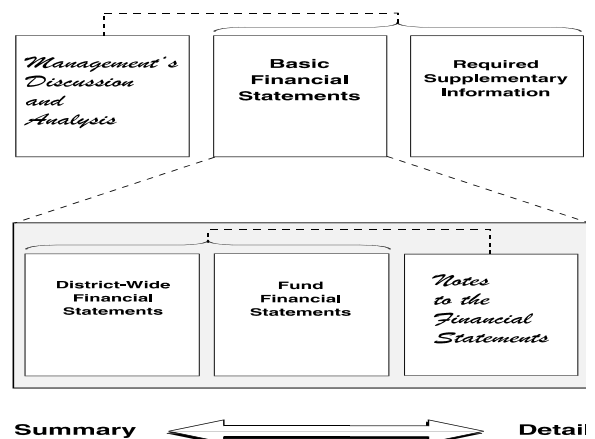
This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations in *more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

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



District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets, 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 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. 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.

	Governmental Activities		Percentage
	2016	2017	Change
			<u>2016-2017</u>
Current and other assets	\$135,663,200	\$206,908,520	
Capital assets	<u>472,629,810</u>	<u>506,771,351</u>	
Total assets	608,293,010	713,679,871	17.33%
Deferred outflows of resources	18,007,207	47,777,119	
Long-term debt outstanding	487,145,826	638,083,522	
Other liabilities	<u>16,641,466</u>	<u>18,225,887</u>	
Total liabilities	503,787,292	656,309,409	30.28%
Deferred inflows of resources	15,300,815	5,518,246	-63.93%
Net investment in capital assets	249,456,144	229,987,254	
Restricted	55,266,928	89,255,620	
Unrestricted	<u>-197,510,962</u>	<u>-219,613,539</u>	
Total net position	\$107,212,110	\$99,629,335	-7.07%

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

Statement of Activities

Governmental Activities

	<u>2016</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,472,051	\$1,550,994
Operating Grants	41,635,675	37,708,328
Capital Grants and Contributions	951,570	-
General Revenues		
Property Taxes	65,379,883	77,483,082
Federal and State Aid	116,344,798	116,108,603
Other	13,614,393	24,015,060
Total Revenues	<u>\$239,398,370</u>	<u>\$256,866,067</u>
Program Expenses		
Instruction	134,888,512	161,646,282
Instruction Related Services	23,264,914	24,895,484
Pupil Services	20,103,535	22,587,324
Ancillary Services	3,509,090	4,096,016
Data Processing	2,812,043	2,897,228
General Administration	8,143,696	8,777,722
Plant Services	17,926,596	20,521,821
Interest	18,353,760	17,736,624
Other	-36,144	1,206,480
Enterprise activities	18,382	83,861
Total Expenses	<u>228,984,384</u>	<u>264,448,842</u>
Change in net position	10,413,986	-7,582,775
Net Position – Beginning	<u>96,798,124</u>	<u>107,212,110</u>
Net Position – Ending	<u>\$107,212,110</u>	<u>\$99,629,335</u>

Financial Condition of General Fund

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

	General Fund		Percentage
	2016	2017	<u>Change</u> <u>2016-2017</u>
Total Revenues	\$ 197,099,693	\$ 201,441,311	
Expenses	185,340,303	206,539,240	
Other financing sources	<u>(1,678,062)</u>	<u>(735,436)</u>	
Excess of revenues over expenses	\$ 10,081,328	\$ (5,833,365)	-158%

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 \$48,306,953 in modernization and new construction from the following combined sources for 2016-17. This represents a 70% increase from last year's amount of \$28,420,805.

	Governmental Activities		Percentage
	2016	2017	<u>Change</u> <u>2016-2017</u>
Land	\$49,116,097	\$49,116,097	
Improvement of sites	29,743,086	30,349,037	
Buildings	498,859,873	544,464,070	
Equipment	35,720,155	44,446,839	
Work-in-process	<u>62,000,079</u>	<u>55,370,200</u>	
Total	\$675,439,290	\$723,746,243	7.15%

District Indebtedness

At year-end, the District has incurred \$638,083,522 of long-term debt. Of that, \$406,068,193 is General Obligation Bonds secured by property tax increases voted on by local residents. In January 2016 the District issued Election of 2014 General Obligation Bonds, Series B in an aggregate principal amount of \$83,000,000. In February 2017, the District issued \$30,290,000 of 2017 General Obligation Crossover Refunding Bonds to refund a portion of the 2007 General Obligation Bonds, Series B and 2006 General Obligation Bonds, Series B and pay the costs of issuance.

	Governmental Activities		Percentage
	2016	2017	<u>Change</u> <u>2016-2017</u>
Compensated absences	\$987,393	\$1,099,195	
Certificates of participation	15,060,000	12,305,000	
General obligation bonds	294,961,767	406,068,193	
Capital lease	156,002	59,793	
Net pension liability	149,900,778	192,394,422	
Post-employment medical benefits	<u>26,079,886</u>	<u>26,156,919</u>	
Total	\$487,145,826	\$638,083,522	31%

Cost of Governmental Services

At year-end, the District's General Fund cost of operation was \$206,539,240. Total District expenditures were \$20,284,497 more than the previous year due to step and column adjustments, Board approved new position, program costs, staff development and sites spending carryover money.

	General Fund		Percentage
	2016	2017	Change
			<u>2016-2017</u>
Instruction	\$138,327,870	\$155,144,272	
Pupil services	14,767,190	17,066,883	
Ancillary services	3,519,049	4,070,403	
General Administration	9,918,557	9,961,079	
Plant Services	18,260,929	19,187,030	
Other Outgo	<u>546,708</u>	<u>1,109,573</u>	
Total	\$185,340,303	\$206,539,240	11.44%

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:

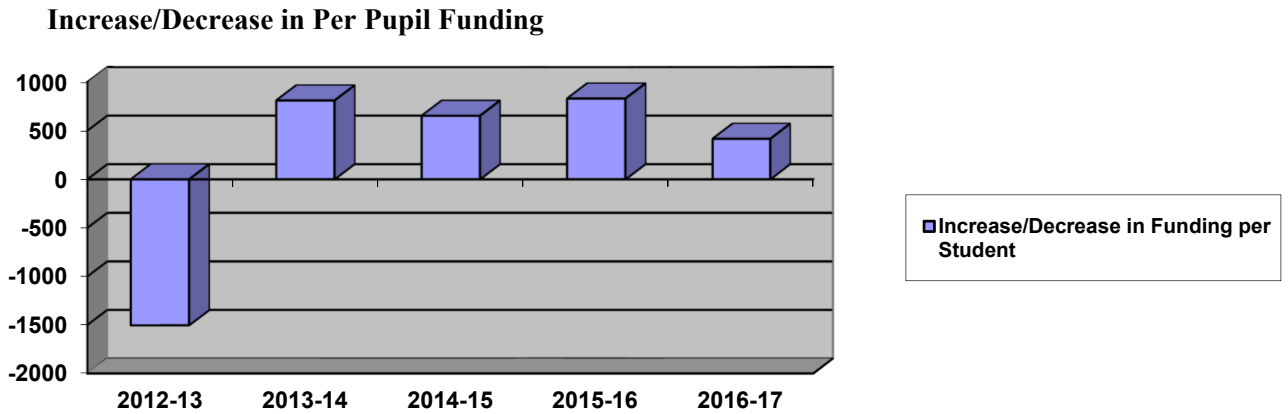
	Estimated June	Actual	Percentage
	2017	2017	<u>Variance</u>
Revenues			
LCFF	158,506,894	158,694,519	
Federal Revenues	7,736,721	7,092,228	
State Revenues	29,418,917	28,042,757	
Local Revenues	<u>6,624,334</u>	<u>7,611,807</u>	
Total Revenues	202,286,866	201,441,311	-0.42%
Expenditures			
Salaries & Benefits	164,823,800	163,165,514	
Books & Supplies	20,181,326	19,690,154	
Services & Other Operating	20,712,116	20,495,430	
Capital Outlay/Other Outgo	<u>2,397,616</u>	<u>3,188,142</u>	
Total Expenditures	208,114,858	206,539,240	-0.76%

Total budgeted revenues were \$845,555 greater than actual revenues received. Total expenditures were \$1,575,618 less than budgeted due to a portion of the textbook adoption and bus purchases being moved to 2017/18.

Financial Issues

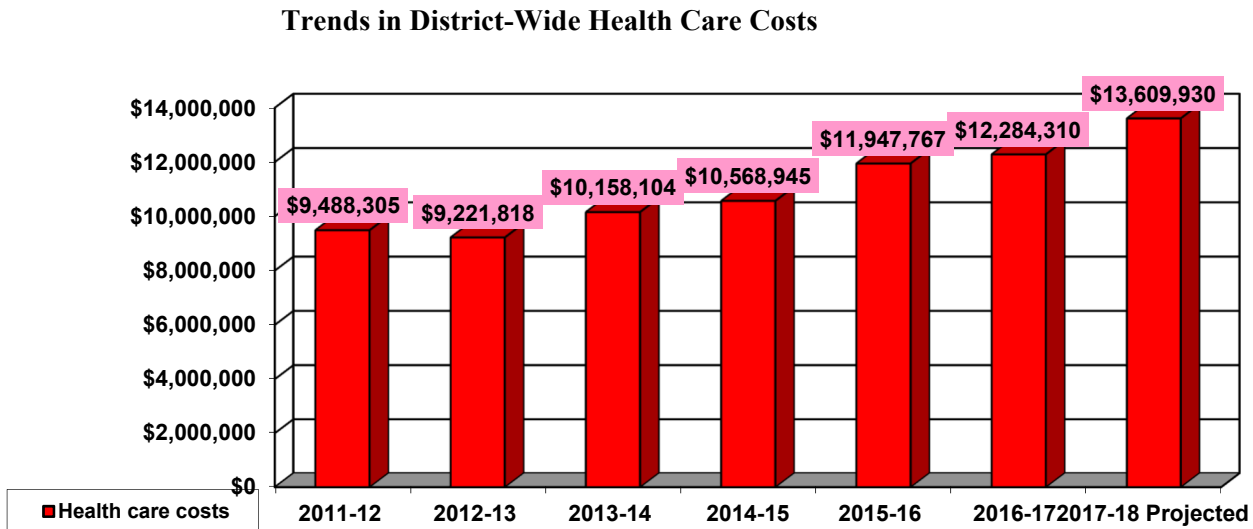
Per Pupil Funding

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 increasing over the past few years with as we open new programs and increase services to students the trend is 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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 198,294,272	\$ 2,847,906	\$ 201,142,178
Receivables	8,350,401	10,291	8,360,692
Prepaid expenses	-	2,177	2,177
Stores inventory	1,701	-	1,701
Interagency balances (Note 3)	262,146	3,428	265,574
Non-depreciable capital assets (Note 4)	104,486,297	-	104,486,297
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>402,285,054</u>	<u>-</u>	<u>402,285,054</u>
Total assets	<u>713,679,871</u>	<u>2,863,802</u>	<u>716,543,673</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions (Notes 7 and 8)	42,604,569	276,047	42,880,616
Deferred loss from refunding of debt	<u>5,172,550</u>	<u>-</u>	<u>5,172,550</u>
Total deferred outflows of resources	<u>47,777,119</u>	<u>276,047</u>	<u>48,053,166</u>
LIABILITIES			
Accounts payable	15,420,794	23,802	15,444,596
Unearned revenue	2,805,093	-	2,805,093
Interagency balances (Note 3)	-	265,574	265,574
Long-term liabilities (Note 5):			
Due within one year	22,484,534	-	22,484,534
Due after one year	<u>615,598,988</u>	<u>1,246,578</u>	<u>616,845,566</u>
Total liabilities	<u>656,309,409</u>	<u>1,535,954</u>	<u>657,845,363</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>5,518,246</u>	<u>35,754</u>	<u>5,554,000</u>
NET POSITION			
Net investment in capital assets	229,987,254	-	229,987,254
Restricted:			
Legally restricted programs	18,053,120	-	18,053,120
Capital projects	42,591,631	-	42,591,631
Debt service	28,610,869	-	28,610,869
Unrestricted	<u>(219,613,539)</u>	<u>1,568,141</u>	<u>(218,045,398)</u>
Total net position	<u>\$ 99,629,335</u>	<u>\$ 1,568,141</u>	<u>\$ 101,197,476</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	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	\$ 161,646,282	\$ 1,869	\$ 22,211,055	\$ -	\$ (139,433,358)	\$ -	\$ (139,433,358)
Instruction-related services:							
Supervision of instruction	8,704,246	86	2,536,099	-	(6,168,061)	-	(6,168,061)
Instructional library, media and technology	941,940	4	963	-	(940,973)	-	(940,973)
School site administration	15,249,298	-	1,098,106	-	(14,151,192)	-	(14,151,192)
Pupil services:							
Home-to-school transportation	4,127,603	183	15,310	-	(4,112,110)	-	(4,112,110)
Food services	5,634,141	1,467,725	4,493,412	-	326,996	-	326,996
All other pupil services	12,825,580	510	3,936,982	-	(8,888,088)	-	(8,888,088)
General administration:							
Data processing	2,897,228	-	4,269	-	(2,892,959)	-	(2,892,959)
All other general administration	8,777,722	66,315	1,551,725	-	(7,159,682)	-	(7,159,682)
Plant services	20,521,821	198	118,660	-	(20,402,963)	-	(20,402,963)
Ancillary services	4,096,016	1,689	770,048	-	(3,324,279)	-	(3,324,279)
Enterprise activities	83,861	-	-	-	(83,861)	-	(83,861)
Interest on long-term liabilities	17,736,624	-	-	-	(17,736,624)	-	(17,736,624)
Other outgo	1,206,480	12,415	971,699	-	(222,366)	-	(222,366)
Total governmental activities	<u>264,448,842</u>	<u>1,550,994</u>	<u>37,708,328</u>	<u>-</u>	<u>(225,189,520)</u>		<u>(225,189,520)</u>
Business-type activities:							
Enterprise activities	<u>2,199,291</u>	<u>3,636,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,436,965</u>	<u>1,436,965</u>
Total governmental and business-type activities	<u>\$ 266,648,133</u>	<u>\$ 5,187,250</u>	<u>\$ 37,708,328</u>	<u>\$ -</u>	<u>(225,189,520)</u>	<u>1,436,965</u>	<u>(223,752,555)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					52,565,390	-	52,565,390
Taxes levied for debt service					24,501,393	-	24,501,393
Taxes levied for other specific purposes					416,299	-	416,299
Federal and state aid not restricted to specific purposes					116,108,603	-	116,108,603
Interest and investment earnings					4,579,254	19,155	4,598,409
Miscellaneous					18,844,197	-	18,844,197
Internal transfers					591,609	(591,609)	-
Total general revenues					<u>217,606,745</u>	<u>(572,454)</u>	<u>217,034,291</u>
Change in net position					(7,582,775)	864,511	(6,718,264)
Net position, July 1, 2016					<u>107,212,110</u>	<u>703,630</u>	<u>107,915,740</u>
Net position, June 30, 2017					<u>\$ 99,629,335</u>	<u>\$ 1,568,141</u>	<u>\$ 101,197,476</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Fund	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 35,136,057	\$ 26,944,931	\$ 28,951,477	\$ 21,877,069	\$ 112,909,534
Cash on hand and in banks	1,294,505	-	-	503,240	1,797,745
Cash in revolving fund	75,000	-	-	10,000	85,000
Cash with Fiscal Agent	-	83,501,993	-	-	83,501,993
Receivables	3,867,258	3,503,397	87,988	891,758	8,350,401
Due from other funds	355,492	244	-	791,739	1,147,475
Stores inventory	-	-	-	1,701	1,701
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701</u>	<u>1,701</u>
Total assets	<u>\$ 40,728,312</u>	<u>\$113,950,565</u>	<u>\$ 29,039,465</u>	<u>\$ 24,075,507</u>	<u>\$ 207,793,849</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,208,027	\$ 4,776,239	\$ -	\$ 461,191	\$ 12,445,457
Unearned revenue	2,317,865	-	428,596	58,632	2,805,093
Due to other funds	<u>540,832</u>	<u>1,168</u>	<u>-</u>	<u>343,329</u>	<u>885,329</u>
Total liabilities	<u>10,066,724</u>	<u>4,777,407</u>	<u>428,596</u>	<u>863,152</u>	<u>16,135,879</u>
Fund balances:					
Nonspendable	75,000	-	-	11,701	86,701
Restricted	11,761,231	109,173,158	28,610,869	23,200,654	172,745,912
Committed	6,048,049	-	-	-	6,048,049
Assigned	3,596,350	-	-	-	3,596,350
Unassigned	<u>9,180,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,180,958</u>
Total fund balances	<u>30,661,588</u>	<u>109,173,158</u>	<u>28,610,869</u>	<u>23,212,355</u>	<u>191,657,970</u>
Total liabilities and fund balances	<u>\$ 40,728,312</u>	<u>\$ 113,950,565</u>	<u>\$ 29,039,465</u>	<u>\$ 24,075,507</u>	<u>\$ 207,793,849</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, 2017

Total fund balances - Governmental Funds		\$ 191,657,970
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 \$723,746,243 and the accumulated depreciation is \$216,974,892 (Note 4).		
		506,771,351
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, 2017 consisted of (Note 5):		
Certificates of Participation	\$ (12,305,000)	
General Obligation Bonds	(334,258,303)	
Unamortized premium	(18,835,544)	
Accreted interest	(52,974,346)	
Capitalized lease obligation	(59,793)	
Other postemployment benefits (Note 9)	(26,156,919)	
Net pension liability (Notes 7 and 8)	(192,394,422)	
Compensated absences	<u>(1,099,195)</u>	
		(638,083,522)
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.		
		5,172,550
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	\$ 42,604,569	
Deferred inflows of resources relating to pensions	<u>(5,518,246)</u>	
		37,086,323
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>(2,975,337)</u>
Total net position - governmental activities		<u><u>\$ 99,629,335</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, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 107,221,391	\$ -	\$ -	\$ 749,184	\$ 107,970,575
Local sources	<u>51,473,128</u>	<u>-</u>	<u>-</u>	<u>1,066,062</u>	<u>52,539,190</u>
Total LCFF	<u>158,694,519</u>	<u>-</u>	<u>-</u>	<u>1,815,246</u>	<u>160,509,765</u>
Federal sources	7,092,228	-	-	4,569,968	11,662,196
Other state sources	28,042,757	-	184,308	2,911,450	31,138,515
Other local sources	<u>7,611,807</u>	<u>4,060,224</u>	<u>27,677,533</u>	<u>9,944,200</u>	<u>49,293,764</u>
Total revenues	<u>201,441,311</u>	<u>4,060,224</u>	<u>27,861,841</u>	<u>19,240,864</u>	<u>252,604,240</u>
Expenditures:					
Current:					
Certificated salaries	91,637,799	-	-	1,454,433	93,092,232
Classified salaries	31,992,563	-	-	3,763,557	35,756,120
Employee benefits	39,535,152	-	-	1,642,210	41,177,362
Books and supplies	19,690,154	1,957	-	3,128,907	22,821,018
Contract services and operating expenditures	20,495,430	1,170,307	-	1,823,978	23,489,715
Other outgo	1,109,573	-	-	-	1,109,573
Capital outlay	2,018,833	53,106,799	-	2,084,756	57,210,388
Debt service:					
Principal retirement	53,911	-	15,970,293	2,797,298	18,821,502
Interest	<u>5,825</u>	<u>-</u>	<u>14,081,378</u>	<u>711,973</u>	<u>14,799,176</u>
Total expenditures	<u>206,539,240</u>	<u>54,279,063</u>	<u>30,051,671</u>	<u>17,407,112</u>	<u>308,277,086</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,097,929)</u>	<u>(50,218,839)</u>	<u>(2,189,830)</u>	<u>1,833,752</u>	<u>(55,672,846)</u>
Other financing sources (uses):					
Transfers in	414,564	-	-	1,641,484	2,056,048
Transfers out	(1,150,000)	-	-	(314,439)	(1,464,439)
Proceeds from sale of capital asset	-	-	-	2,065,374	2,065,374
Proceeds from issuance of debt	-	113,290,000	-	-	113,290,000
Premium on issuance of debt	<u>-</u>	<u>3,283,197</u>	<u>5,871,965</u>	<u>-</u>	<u>9,155,162</u>
Total other financing sources (uses)	<u>(735,436)</u>	<u>116,573,197</u>	<u>5,871,965</u>	<u>3,392,419</u>	<u>125,102,145</u>
Net change in fund balances	(5,833,365)	66,354,358	3,682,135	5,226,171	69,429,299
Fund balances, July 1, 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>
Fund balances, June 30, 2017	<u>\$ 30,661,588</u>	<u>\$ 109,173,158</u>	<u>\$ 28,610,869</u>	<u>\$ 23,212,355</u>	<u>\$ 191,657,970</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, 2017

Net change in fund balances - Total Governmental Funds		\$ 69,429,299
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).	\$ 49,057,031	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(14,915,490)	
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).	(113,290,000)	
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.	2,323,883	
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).	18,821,502	
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).	(8,139,168)	
Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(5,647,551)	
Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net position (Notes 5 and 9).	(77,033)	
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.	231,600	
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 (Notes 7 and 8):	(5,265,046)	
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>(111,802)</u>	<u>(77,012,074)</u>
Change in net position of governmental activities		<u>\$ (7,582,775)</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
STUDENT CARE CENTER FUND
June 30, 2017

ASSETS

Current assets:

Cash in County Treasury (Note 2)	\$ 2,424,317
Cash in banks (Note 2)	423,589
Receivables	10,291
Due from other funds	3,428
Prepaid expenditures	<u>2,177</u>

Total current assets 2,863,802

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions (Notes 7 and 8) 276,047

LIABILITIES

Current liabilities:

Accounts payable	23,802
Due to other funds	<u>265,574</u>

Total current liabilities 289,376

Net pension liability - long-term (Notes 7 and 8) 1,246,578

Total liabilities 1,535,954

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions (Notes 7 and 8) 35,754

NET POSITION

Unrestricted \$ 1,568,141

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, 2017

Operating revenues:	
Children Center fees	\$ 3,635,659
Other local revenues	<u>597</u>
Total operating revenues	<u>3,636,256</u>
Operating expenses:	
Classified salaries	1,428,408
Employee benefits	407,295
Books and supplies	201,635
Contract services and operating expenses	<u>161,953</u>
Total operating expenses	<u>2,199,291</u>
Operating income	1,436,965
Non-operating income:	
Interest income	19,155
Transfers to other funds	<u>(591,609)</u>
Change in net position	864,511
Net position, July 1, 2016	<u>703,630</u>
Net position, June 30, 2017	<u><u>\$ 1,568,141</u></u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
STUDENT CARE CENTER FUND
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Cash received for children center fees	\$ 3,635,073
Cash received for other activities	597
Cash paid for operating expenses	(363,588)
Cash paid for employee benefits	<u>(1,862,945)</u>
Net cash provided by operating activities	<u>1,409,137</u>
Cash flows used in noncapital financing activities:	
Transfer to other funds	<u>(795,229)</u>
Cash flows provided by investing activities:	
Interest income	<u>19,155</u>
Change in cash and investments	633,063
Cash and investments, July 1, 2016	<u>2,214,843</u>
Cash and investments, June 30, 2017	<u><u>\$ 2,847,906</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,436,965</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	(586)
Deferred outflows of resources	(98,682)
(Decrease) increase in:	
Accounts payable	(11,485)
Net pension liability	145,356
Deferred inflows of resources	<u>(62,431)</u>
Total adjustments	<u>(27,828)</u>
Net cash provided by operating activities	<u><u>\$ 1,409,137</u></u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2017

	<u>Agency Student Body</u>
ASSETS	
Cash on hand and in banks (Note 2)	<u>\$ 1,639,156</u>
LIABILITIES	
Due to student groups	<u>\$ 1,639,156</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

(Continued)

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 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

B - Modified Accrual

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

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.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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 shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 27,930,538</u>	<u>\$ 14,950,078</u>	<u>\$ 42,880,616</u>
Deferred inflows of resources	<u>\$ 4,058,000</u>	<u>\$ 1,496,000</u>	<u>\$ 5,554,000</u>
Net pension liability	<u>\$ 143,862,000</u>	<u>\$ 49,779,000</u>	<u>\$ 193,641,000</u>
Pension expense	<u>\$ 26,025,803</u>	<u>\$ 6,651,309</u>	<u>\$ 32,677,112</u>

The District has allocated 2.5 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 \$1,099,195 are recorded as a liability of the District.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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. 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 and proprietary fund statements.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, 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, 2017, 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.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$112,909,534	\$ 2,424,317	\$ -
Deposits:			
Cash on hand and in banks	1,797,745	423,589	1,639,156
Cash in revolving fund	85,000	-	-
Cash with Fiscal Agent	<u>83,501,993</u>	<u>-</u>	<u>-</u>
Total	<u>\$198,294,272</u>	<u>\$ 2,847,906</u>	<u>\$ 1,639,156</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, 2017, the carrying amount of the District's accounts were \$3,945,490, and the bank balances were \$3,306,453, of which \$250,000 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, 2017, 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, 2017, the District had no concentration of credit risk.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 355,492	\$ 540,832
Building	244	1,168
Non-Major Governmental Funds:		
Charter School	215,580	214,341
Child Development	252	12,025
Cafeteria	-	113,535
Capital Facilities	250,907	3,428
Special Reserve for Capital Projects	325,000	-
Proprietary Fund:		
Student Care Center	<u>3,428</u>	<u>265,574</u>
Totals	<u>\$ 1,150,903</u>	<u>\$ 1,150,903</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 2016-2017 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of deferred maintenance funding.	\$ 950,000
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for the cell tower repayment.	200,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	69,034
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	245,405
Transfer from the Student Care Fund to the General Fund for indirect costs.	100,125
Transfer from the Student Care Fund to the Child Development Fund for building loan.	2,079
Transfer from the Student Care Center Fund to the Capital Facilities Fund for Mather Heights Construction.	32,792
Transfer from the Student Care Fund to the Capital Facilities Fund for Folsom Hills building.	<u>456,613</u>
	<u>\$ 2,056,048</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, <u>2016</u>	Additions and <u>Transfers</u>	Deductions and <u>Transfers</u>	Balance June 30, <u>2017</u>
Non-depreciable:				
Land	\$ 49,116,097	\$ -	\$ -	\$ 49,116,097
Work-in-process	62,000,079	38,250,318	(44,880,197)	55,370,200
Depreciable:				
Improvement of sites	29,743,086	605,951	-	30,349,037
Buildings	498,859,873	46,354,275	(750,078)	544,464,070
Equipment	<u>35,720,155</u>	<u>8,726,684</u>	<u>-</u>	<u>44,446,839</u>
Totals, at cost	<u>675,439,290</u>	<u>93,937,228</u>	<u>(45,630,275)</u>	<u>723,746,243</u>
Less accumulated depreciation:				
Improvement of sites	(24,965,129)	(1,645,919)	-	(26,611,048)
Buildings	(168,047,005)	(12,900,976)	750,078	(180,197,903)
Equipment	<u>(9,797,346)</u>	<u>(368,595)</u>	<u>-</u>	<u>(10,165,941)</u>
Total accumulated depreciation	<u>(202,809,480)</u>	<u>(14,915,490)</u>	<u>750,078</u>	<u>(216,974,892)</u>
Governmental activities capital assets, net	<u>\$ 472,629,810</u>	<u>\$ 79,021,738</u>	<u>\$ (44,880,197)</u>	<u>\$ 506,771,351</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 14,152,519
Supervision of instruction	228,184
Instructional library, media and technology	2,227
School site administration	14,759
Home-to-school transportation	21,649
Food services	34,588
All other pupil services	6,577
Ancillary services	9,119
Enterprise activities	29,362
All other general administration	264,997
Data processing	<u>151,509</u>
Total depreciation expense	<u>\$ 14,915,490</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 June 30,</u>	<u>Payments</u>
2018	\$ 3,470,250
2019	3,467,500
2020	3,472,750
2021	<u>3,470,250</u>
	13,880,750
Less amount representing interest	<u>(1,575,750)</u>
	<u><u>\$ 12,305,000</u></u>

General Obligation Bonds: In April 1998, the District issued Election of 1997 General Obligation Bonds, Series A, current interest and capital appreciation bonds in an aggregate principal amount of \$10,396,455, maturing through October 2022, with interest rates from 4.30% to 5.35%. The annual payments required to amortize the 1997 General Obligation Bonds, Series A outstanding as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	307,739	752,261	1,060,000
2023	<u>298,798</u>	<u>786,202</u>	<u>1,085,000</u>
	<u><u>\$ 1,948,665</u></u>	<u><u>\$ 4,186,335</u></u>	<u><u>\$ 6,135,000</u></u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In July 2002, the District issued Election of 2002 General Obligation Bonds, Series A, current interest and capital appreciation bonds in an aggregate principal amount of \$54,992,172, maturing through July 2027, with interest rates from 3.00% to 5.73%. With the issuance of the 2014 General Obligation Refunding Bonds in January 2014, \$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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 563,794	\$ 661,206	\$ 1,225,000
2019	1,743,791	2,326,209	4,070,000
2020	1,665,417	2,499,583	4,165,000
2021	1,595,115	2,664,885	4,260,000
2022	1,532,410	2,827,590	4,360,000
2023-2027	6,778,154	16,596,846	23,375,000
2028	<u>1,223,491</u>	<u>3,786,509</u>	<u>5,010,000</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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025-2027	\$ 3,780,877	\$ 7,347,123	\$ 11,128,000
2028-2030	<u>2,452,972</u>	<u>6,547,028</u>	<u>9,000,000</u>
	<u>\$ 6,233,849</u>	<u>\$ 13,894,151</u>	<u>\$ 20,128,000</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,150,000	\$ 740,100	\$ 3,890,100
2019	1,130,870	1,226,730	2,357,600
2020	1,216,053	1,287,547	2,503,600
2021	1,229,320	1,324,180	2,553,500
2022	1,325,401	1,404,849	2,730,250
2023-2027	13,250,407	15,787,343	29,037,750
2028-2032	13,580,891	24,054,109	37,635,000
2033	<u>2,600,894</u>	<u>5,769,106</u>	<u>8,370,000</u>
	<u>\$ 37,483,836</u>	<u>\$ 51,593,964</u>	<u>\$ 89,077,800</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%. With the issuance of the 2017 General Obligation Refunding Bonds, Series A and B in January 2017, \$8,585,000 and \$22,165,000 of the Series A and Series B, respectively, current interest bonds were refunded on a crossover basis. Refunded bonds will be paid off by October 1, 2019. The annual payments required to amortize the 2007 General Obligation Bonds, Series B outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,135,000	2,941,976	4,076,976
2023-2027	10,636,690	20,001,904	30,638,594
2028-2032	12,441,297	34,778,146	47,219,443
2033-2036	<u>15,574,050</u>	<u>45,238,765</u>	<u>60,812,815</u>
	<u>\$ 41,179,781</u>	<u>\$ 113,926,209</u>	<u>\$ 155,105,990</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	1,021,900	1,021,900
2023-2027	1,865,000	4,978,875	6,843,875
2028-2032	5,250,000	4,089,350	9,339,350
2033-2037	8,865,000	2,420,375	11,285,375
2038-2039	<u>4,900,000</u>	<u>250,500</u>	<u>5,150,500</u>
	<u>\$ 20,880,000</u>	<u>\$ 16,848,600</u>	<u>\$ 37,728,600</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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,365,000	\$ 1,051,913	\$ 5,416,913
2019	2,205,000	891,660	3,096,660
2020	2,385,000	782,638	3,167,638
2021	2,575,000	661,613	3,236,613
2022	2,780,000	527,738	3,307,738
2023-2027	6,655,000	1,494,619	8,149,619
2028-2030	<u>3,520,000</u>	<u>272,500</u>	<u>3,792,500</u>
	<u>\$ 24,485,000</u>	<u>\$ 5,682,681</u>	<u>\$ 30,167,681</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,500,000	264,750	2,764,750
2023	<u>2,795,000</u>	<u>139,750</u>	<u>2,934,750</u>
	<u>\$ 11,215,000</u>	<u>\$ 2,375,750</u>	<u>\$ 13,590,750</u>

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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 665,000	\$ 1,202,969	\$ 1,867,969
2019	150,000	1,169,717	1,319,717
2020	250,000	1,165,219	1,415,219
2021	355,000	1,157,719	1,512,719
2022	465,000	1,147,069	1,612,069
2023-2027	2,500,000	5,446,494	7,946,494
2028-2032	3,715,000	4,881,219	8,596,219
2033-2037	6,615,000	3,838,919	10,453,919
2038-2041	<u>13,980,000</u>	<u>1,697,500</u>	<u>15,677,500</u>
	<u>\$ 28,695,000</u>	<u>\$ 21,706,825</u>	<u>\$ 50,401,825</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	290,000	1,210,125	1,500,125
2023-2027	2,605,000	5,831,975	8,436,975
2028-2032	5,220,000	5,045,325	10,265,325
2033-2037	8,965,000	3,527,800	12,492,800
2038-2041	<u>10,790,000</u>	<u>1,123,000</u>	<u>11,913,000</u>
	<u>\$ 33,745,000</u>	<u>\$ 21,879,775</u>	<u>\$ 55,624,775</u>

In January 2016, the District issued Election of 2014 General Obligation Bonds, Series B in an aggregate principal amount of \$83,000,000 maturing through October 2041, with interest rates from 1.50% to 5.00%. The annual payments required to amortize the 2014 General Obligation Bonds, Series B outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,190,000	\$ 3,875,638	\$ 5,065,638
2019	575,000	3,836,563	4,411,563
2020	1,515,000	3,798,384	5,313,384
2021	490,000	3,762,586	4,252,586
2022	200,000	3,744,238	3,944,238
2023-2027	4,925,000	18,215,688	23,140,688
2028-2032	13,010,000	16,076,813	29,086,813
2033-2037	26,995,000	11,797,488	38,792,488
2038-2042	<u>34,100,000</u>	<u>4,975,356</u>	<u>39,075,356</u>
	<u>\$ 83,000,000</u>	<u>\$ 70,082,754</u>	<u>\$ 153,082,754</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In February 2017, the District issued 2017 General Obligation Crossover Refunding Bonds to refund a portion of the 2007 General Obligation Bonds, Series B and 2006 General Obligation Bonds, Series B and pay the costs of issuance. The Refunding Bonds of \$30,290,000 mature through October 2035, with interest rates from 2.5% to 5.0%. The annual payments required to amortize the 2017 General Obligation Refunding Bonds outstanding as of June 30, 2017, are as follows:

2018	\$ -	\$ 1,320,100	\$ 1,320,100
2019	-	1,320,100	1,320,100
2020	-	1,320,100	1,320,100
2021	-	1,312,900	1,312,900
2022	1,070,000	1,282,800	2,352,800
2023-2027	8,035,000	5,094,250	13,129,250
2028-2032	6,915,000	3,390,872	10,305,872
2033-2036	<u>14,270,000</u>	<u>737,353</u>	<u>15,007,353</u>
	<u>\$ 30,290,000</u>	<u>\$ 15,778,475</u>	<u>\$ 46,068,475</u>

Although the advance refunding resulted in the recognition of an accounting loss of \$2,745,021 for the year ended June 30, 2017, the District in effect reduced its aggregate debt service payments by \$2,647,053 over the next 5 years and obtained an economic gain of \$1,893,014.

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

Old debt service cash flows	\$ 45,415,278
New debt service cash flows	<u>(42,768,225)</u>
 Cash flow difference	 <u>\$ 2,647,053</u>
 Present value of old debt service cash flows	 \$ 32,538,276
Present value of new debt service cash flows	<u>30,645,262</u>
 Economic gain	 <u>\$ 1,893,014</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, the accumulated depreciation related to these assets totaled \$2,869,278. The following is a schedule of the future payments for the capital lease:

Year Ending June 30,	Payments
2018	\$ 59,746
2019	<u>2,936</u>
	62,682
Less amount representing interest	<u>(2,889)</u>
	<u><u>\$ 59,793</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2017 is shown below:

<u>Governmental Activities:</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Certificates of Participation	\$ 15,060,000	\$ -	\$ 2,755,000	\$ 12,305,000	\$ 2,855,000
General Obligation Bonds	236,938,596	113,290,000	15,970,293	334,258,303	15,814,607
Unamortized premium	10,696,376	9,155,162	1,015,994	18,835,544	1,388,475
Accreted interest on General Obligation Bonds	47,326,795	6,232,259	584,708	52,974,346	1,270,393
Capitalized lease obligation	156,002	-	96,209	59,793	56,864
Other postemployment benefits (Note 9)	26,079,886	766,039	689,006	26,156,919	-
Net pension liability (Notes 7 and 8)	149,900,778	42,493,644	-	192,394,422	-
Compensated absences	<u>987,393</u>	<u>111,802</u>	<u>-</u>	<u>1,099,195</u>	<u>1,099,195</u>
Totals	<u>\$ 487,145,826</u>	<u>\$ 172,048,906</u>	<u>\$ 21,111,210</u>	<u>\$ 638,083,522</u>	<u>\$ 22,484,534</u>
 <u>Business-Type Activities:</u>					
	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Net pension liability (Notes 7 and 8)	<u>\$ 1,101,222</u>	<u>\$ 145,356</u>	<u>\$ -</u>	<u>\$ 1,246,578</u>	<u>\$ -</u>

Payments on the Certificates of Participation are made from the Child Development, Cafeteria, 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, 2017

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2017 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 75,000	\$ -	\$ -	\$ 10,000	\$ 85,000
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701</u>	<u>1,701</u>
Subtotal nonspendable	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>11,701</u>	<u>86,701</u>
Restricted:					
Legally restricted programs	11,761,231	-	-	6,280,188	18,041,419
Capital projects	-	109,173,158	-	16,920,466	126,093,624
Debt service	<u>-</u>	<u>-</u>	<u>28,610,869</u>	<u>-</u>	<u>28,610,869</u>
Subtotal restricted	<u>11,761,231</u>	<u>109,173,158</u>	<u>28,610,869</u>	<u>23,200,654</u>	<u>172,745,912</u>
Committed:					
EL/LI	<u>6,048,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,048,049</u>
Subtotal committed	<u>6,048,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,048,049</u>
Assigned:					
Carryover	1,085,752	-	-	-	1,085,752
Intel/Donations	781,971	-	-	-	781,971
Instructional Materials	500,000	-	-	-	500,000
CTE	<u>1,228,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,228,627</u>
Subtotal assigned	<u>3,596,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,596,350</u>
Unassigned:					
Designated for economic uncertainty	6,345,000	-	-	-	6,345,000
Undesignated	<u>2,835,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,835,958</u>
Subtotal unassigned	<u>9,180,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,180,958</u>
Total fund balances	<u>\$ 30,661,588</u>	<u>\$ 109,173,158</u>	<u>\$ 28,610,869</u>	<u>\$ 23,212,355</u>	<u>\$ 191,657,970</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.

(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 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

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 – 12.58 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 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.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 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, 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 \$11,626,538 to the plan for the fiscal year ended June 30, 2017.

State - 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.311%	2.50%(2)	9.328%
July 01, 2017 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 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 would 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.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

At June 30, 2017, 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	\$ 143,862,000
State’s proportionate share of the net pension liability associated with the District	<u>81,906,000</u>
Total	<u><u>\$ 225,768,000</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District’s proportion was 0.178 percent, which was an decrease of 0.008 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$26,025,803 and revenue of \$11,391,204 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,509,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	11,437,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,867,000	549,000
Contributions made subsequent to measurement date	<u>11,626,538</u>	<u>-</u>
Total	<u><u>\$ 27,930,538</u></u>	<u><u>\$ 4,058,000</u></u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

\$11,626,538 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>		
2018	\$	408,967
2019	\$	408,967
2020	\$	6,512,316
2021	\$	4,350,750
2022	\$	61,000
2023	\$	504,000

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, 2016 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 STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuations for more information.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13	9.30
Real Estate	13	5.20
Inflation Sensitive	4	3.80
Fixed Income	12	0.30
Absolute Return/Risk Mitigating Strategies	9	2.90
Cash / Liquidity	2	(1.00)

* 20-year geometric average

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	<u>\$207,050,000</u>	<u>\$143,862,000</u>	<u>\$ 91,382,000</u>

(Continued)

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

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.

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, 2017 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

Employers - The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$4,410,078 to the plan for the fiscal year ended June 30, 2017.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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

At June 30, 2017, the District reported a liability of \$49,779,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District’s proportion was 0.252 percent, which was an increase of .005 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,651,309. June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,141,000	\$ -
Changes of assumptions	-	1,496,000
Net differences between projected and actual earnings on investments	7,724,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	675,000	-
Contributions made subsequent to measurement date	<u>4,410,078</u>	<u>-</u>
Total	<u>\$ 14,950,078</u>	<u>\$ 1,496,000</u>

\$4,410,078 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 1,547,495
2019	\$ 1,547,495
2020	\$ 3,933,010
2021	\$ 2,016,000

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, 2016 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, 2017

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	June 30, 1997 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, 2015 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.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(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.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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.

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% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 74,271,000</u>	<u>\$ 49,779,000</u>	<u>\$ 29,385,000</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.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	1,173,595
Adjustment to annual required contribution	<u>(26,524,069)</u>
Annual OPEB cost (expense)	766,039
Contributions made	<u>689,006</u>
Increase in net OPEB obligation	77,033
Net OPEB obligation - beginning of year	<u>26,079,886</u>
Net OPEB obligation - end of year	<u><u>\$ 26,156,919</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, 2017 and preceding two years were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost <u>(Expense)</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2015	\$ 2,046,389	39.3%	\$ 27,368,953
June 30, 2016	\$ (542,905)	-137.4%	\$ 26,079,886
June 30, 2017	\$ 766,039	89.9%	\$ 26,156,919

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 \$121.4 million, and the ratio of the UAAL to the covered payroll was 19 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, 2017

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, 2017.

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

	<u>SELF</u>	<u>SIA</u>
Total assets	\$ 138,820,266	\$ 129,096,497
Deferred outflows of resources	\$ 266,414	\$ 500,810
Total liabilities	\$ 117,306,926	\$ 62,191,832
Deferred inflows of resources	\$ 245,133	\$ 537,317
Net position	\$ 21,534,621	\$ 66,868,158
Total revenue	\$ 13,898,598	\$ 51,997,994
Total expenses	\$ 13,571,602	\$ 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.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, the District has \$77 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 109,660,858	\$ 107,221,391	\$ 107,221,391	\$ -
Local sources	<u>45,336,557</u>	<u>51,473,128</u>	<u>51,473,128</u>	<u>-</u>
Total LCFF	<u>154,997,415</u>	<u>158,694,519</u>	<u>158,694,519</u>	<u>-</u>
Federal sources	7,548,290	7,092,228	7,092,228	-
Other state sources	19,951,445	28,042,757	28,042,757	-
Other local sources	<u>4,976,180</u>	<u>7,611,807</u>	<u>7,611,807</u>	<u>-</u>
Total revenues	<u>187,473,330</u>	<u>201,441,311</u>	<u>201,441,311</u>	<u>-</u>
Expenditures:				
Current:				
Certificated salaries	92,634,075	91,637,799	91,637,799	-
Classified salaries	32,267,522	31,992,563	31,992,563	-
Employee benefits	34,726,548	39,535,152	39,535,152	-
Books and supplies	11,129,550	19,690,154	19,690,154	-
Contract services and operating expenditures	18,707,573	20,495,430	20,495,430	-
Other outgo	238,070	1,109,573	1,109,573	-
Capital outlay	768,337	2,018,833	2,018,833	-
Debt service:				
Principal retirement	53,911	53,911	53,911	-
Interest	<u>5,825</u>	<u>5,825</u>	<u>5,825</u>	<u>-</u>
Total expenditures	<u>190,531,411</u>	<u>206,539,240</u>	<u>206,539,240</u>	<u>-</u>
Deficiency of revenues under expenditures	<u>(3,058,081)</u>	<u>(5,097,929)</u>	<u>(5,097,929)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	441,454	414,564	414,564	-
Transfers out	<u>(1,791,874)</u>	<u>(1,750,000)</u>	<u>(1,150,000)</u>	<u>600,000</u>
Total other financing sources (uses)	<u>(1,350,420)</u>	<u>(1,335,436)</u>	<u>(735,436)</u>	<u>600,000</u>
Net change in fund balance	<u>(4,408,501)</u>	<u>(6,433,365)</u>	<u>(5,833,365)</u>	<u>600,000</u>
Fund balance, July 1, 2016	<u>36,494,953</u>	<u>36,494,953</u>	<u>36,494,953</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 32,086,452</u>	<u>\$ 30,061,588</u>	<u>\$ 30,661,588</u>	<u>\$ 600,000</u>

See accompanying notes to required supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Schedule of Funding Progress</u>				<u>UAAL as a Percentage of Covered Payroll</u>
		<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	
July 1, 2010	\$ -	\$24,280,260	\$24,280,260	0%	\$102.4 million	24%
July 1, 2012	\$ -	\$23,115,538	\$23,115,538	0%	\$99.8 million	23%
November 1, 2015	\$ -	\$23,496,710	\$23,496,710	0%	\$121.4 million	19%

See accompanying notes to required supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.171%	0.170%	0.178%
District's proportionate share of the net pension liability	\$ 100,071,000	\$ 114,579,000	\$ 143,862,000
State's proportionate share of the net pension liability associated with the District	<u>60,427,000</u>	<u>60,599,000</u>	<u>81,906,000</u>
Total net pension liability	<u>\$ 160,498,000</u>	<u>\$ 175,178,000</u>	<u>\$ 225,768,000</u>
District's covered payroll	\$ 76,273,000	\$ 78,993,000	\$ 88,645,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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

All years prior to 2015 are not available.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.246%	0.247%	0.252%
District's proportionate share of the net pension liability	\$ 27,891,000	\$ 36,423,000	\$ 49,779,000
District's covered payroll	\$ 27,356,000	\$ 27,356,000	\$ 30,238,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	101.96%	133.14%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 7,014,586	\$ 9,511,596	\$ 11,626,528
Contributions in relation to the contractually required contribution	<u>(7,014,586)</u>	<u>(9,511,596)</u>	<u>(11,626,538)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 78,993,000	\$ 88,645,000	\$ 92,421,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 3,220,090	\$ 3,582,309	\$ 4,410,078
Contributions in relation to the contractually required contribution	<u>(3,220,090)</u>	<u>(3,582,309)</u>	<u>(4,410,078)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,356,000	\$ 30,238,000	\$ 31,755,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

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, 7.65 and 7.65 percent in the June 30, 2013, 2014 and 2015 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, 2017

	Charter School Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Total
ASSETS								
Cash in County Treasury	\$ 185,213	\$ 943,452	\$ 330,219	\$ 1,672,486	\$ 3,112,424	\$ 6,990,567	\$ 8,642,708	\$ 21,877,069
Cash on hand and in banks	6,996	2,963	-	7,364	-	450,607	35,310	503,240
Cash in revolving fund	10,000	-	-	-	-	-	-	10,000
Receivables	7,253	141,523	2,821	487,573	11,646	203,341	37,601	891,758
Due from other funds	215,580	-	252	-	-	250,907	325,000	791,739
Stores inventory	-	-	-	1,701	-	-	-	1,701
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701</u>
Total assets	<u>\$ 425,042</u>	<u>\$ 1,087,938</u>	<u>\$ 333,292</u>	<u>\$ 2,169,124</u>	<u>\$ 3,124,070</u>	<u>\$ 7,895,422</u>	<u>\$ 9,040,619</u>	<u>\$ 24,075,507</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 11,604	\$ 16,756	\$ 10,919	\$ 59,113	\$ 350,652	\$ 12,147	\$ -	\$ 461,191
Unearned Revenue	-	-	58,632	-	-	-	-	58,632
Due to other funds	214,341	-	12,025	113,535	-	3,428	-	343,329
	<u>214,341</u>	<u>-</u>	<u>12,025</u>	<u>113,535</u>	<u>-</u>	<u>3,428</u>	<u>-</u>	<u>343,329</u>
Total liabilities	<u>225,945</u>	<u>16,756</u>	<u>81,576</u>	<u>172,648</u>	<u>350,652</u>	<u>15,575</u>	<u>-</u>	<u>863,152</u>
Fund balances:								
Nonspendable	10,000	-	-	1,701	-	-	-	11,701
Restricted	189,097	1,071,182	251,716	1,994,775	2,773,418	7,879,847	9,040,619	23,200,654
	<u>189,097</u>	<u>1,071,182</u>	<u>251,716</u>	<u>1,994,775</u>	<u>2,773,418</u>	<u>7,879,847</u>	<u>9,040,619</u>	<u>23,200,654</u>
Total fund balances	<u>199,097</u>	<u>1,071,182</u>	<u>251,716</u>	<u>1,996,476</u>	<u>2,773,418</u>	<u>7,879,847</u>	<u>9,040,619</u>	<u>23,212,355</u>
Total liabilities and fund balances	<u>\$ 425,042</u>	<u>\$ 1,087,938</u>	<u>\$ 333,292</u>	<u>\$ 2,169,124</u>	<u>\$ 3,124,070</u>	<u>\$ 7,895,422</u>	<u>\$ 9,040,619</u>	<u>\$ 24,075,507</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, 2017

	Charter School Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Total
Revenues:								
LCFF:								
State apportionment	\$ 749,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 749,184
Local sources	<u>415,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,566</u>	<u>-</u>	<u>-</u>	<u>1,066,062</u>
Total LCFF	<u>1,164,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,566</u>	<u>-</u>	<u>-</u>	<u>1,815,246</u>
Federal sources	-	198,173	-	4,371,795	-	-	-	4,569,968
Other state sources	105,840	816,647	1,682,687	306,023	-	253	-	2,911,450
Other local sources	<u>10,073</u>	<u>311,243</u>	<u>5,765</u>	<u>1,550,551</u>	<u>22,369</u>	<u>7,633,464</u>	<u>410,735</u>	<u>9,944,200</u>
Total revenues	<u>1,280,593</u>	<u>1,326,063</u>	<u>1,688,452</u>	<u>6,228,369</u>	<u>672,935</u>	<u>7,633,717</u>	<u>410,735</u>	<u>19,240,864</u>
Expenditures:								
Current:								
Certificated salaries	621,360	784,574	48,499	-	-	-	-	1,454,433
Classified salaries	61,249	217,420	918,391	1,920,163	107,088	539,246	-	3,763,557
Employee benefits	183,379	265,809	356,189	641,085	31,579	164,169	-	1,642,210
Books and supplies	113,087	48,002	157,074	2,700,496	54,000	56,248	-	3,128,907
Contract services and operating expenditures	334,449	78,177	54,639	167,579	1,119,148	56,502	13,484	1,823,978
Capital outlay	-	4,230	5,817	7,762	568,968	1,497,979	-	2,084,756
Debt service:								
Principal retirement	-	-	1,646	3,351	-	2,750,003	42,298	2,797,298
Interest	<u>-</u>	<u>-</u>	<u>433</u>	<u>882</u>	<u>-</u>	<u>709,260</u>	<u>1,398</u>	<u>711,973</u>
Total expenditures	<u>1,313,524</u>	<u>1,398,212</u>	<u>1,542,688</u>	<u>5,441,318</u>	<u>1,880,783</u>	<u>5,773,407</u>	<u>57,180</u>	<u>17,407,112</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(32,931)</u>	<u>(72,149)</u>	<u>145,764</u>	<u>787,051</u>	<u>(1,207,848)</u>	<u>1,860,310</u>	<u>353,555</u>	<u>1,833,752</u>
Other financing sources (uses):								
Transfers in	-	-	2,079	-	950,000	489,405	200,000	1,641,484
Transfers out	-	-	(69,034)	(245,405)	-	-	-	(314,439)
Proceeds from sale of capital asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,065,374</u>	<u>2,065,374</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(66,955)</u>	<u>(245,405)</u>	<u>950,000</u>	<u>489,405</u>	<u>2,265,374</u>	<u>3,392,419</u>
Net change in fund balances	(32,931)	(72,149)	78,809	541,646	(257,848)	2,349,715	2,618,929	5,226,171
Fund balances, July 1, 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>
Fund balances, June 30, 2017	<u>\$ 199,097</u>	<u>\$ 1,071,182</u>	<u>\$ 251,716</u>	<u>\$ 1,996,476</u>	<u>\$ 2,773,418</u>	<u>\$ 7,879,847</u>	<u>\$ 9,040,619</u>	<u>\$ 23,212,355</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Student Body				
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 843,615	\$ 2,011,078	\$ 1,902,090	\$ 952,603
Liabilities:				
Due to student groups	\$ 843,615	\$ 2,011,078	\$ 1,902,090	\$ 952,603
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 423,839	\$ 431,246	\$ 384,894	\$ 470,191
Liabilities:				
Due to student groups	\$ 423,839	\$ 431,246	\$ 384,894	\$ 470,191
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 237,308	\$ 692,347	\$ 713,293	\$ 216,362
Liabilities:				
Due to student groups	\$ 237,308	\$ 692,347	\$ 713,293	\$ 216,362
Total Student Body Funds				
Assets:				
Cash on hand and in banks	\$ 1,504,762	\$ 3,134,671	\$ 3,000,277	\$ 1,639,156
Liabilities:				
Due to student groups	\$ 1,504,762	\$ 3,134,671	\$ 3,000,277	\$ 1,639,156

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

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

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Zak Ford	President	2018
JoAnne Reinking	Vice President	2020
Ed Short	Clerk	2018
Sarah Aquino	Member	2018
Chris Clark	Member	2018

ADMINISTRATION

Sarah Koligian
Superintendent

Rhonda Crawford
Assistant Superintendent, Business Services

Curtis Wilson
Assistant Superintendent, Elementary Instruction

Kathryn Allman
Assistant Superintendent, Secondary Instruction

Don Ogdon
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, 2017

	<u>Second Period Report</u>	<u>Audited Revised Second Period Report</u>	<u>Annual Report</u>
DISTRICT			
Certificate Numbers	A0BEDCCB	77F600D5	88598DF1
Elementary:			
Transitional Kindergarten through Third	5,774	5,773	5,777
Fourth through Sixth	4,564	4,564	4,563
Seventh and Eighth	<u>3,001</u>	<u>3,001</u>	<u>2,998</u>
Subtotal Elementary	<u>13,339</u>	<u>13,338</u>	<u>13,338</u>
Secondary:			
Ninth through Twelfth	<u>5,959</u>	<u>5,959</u>	<u>5,932</u>
District Totals	<u><u>19,298</u></u>	<u><u>19,297</u></u>	<u><u>19,270</u></u>
CHARTER SCHOOL			
Certificate Numbers	2D32C56A		741C385F
Folsom Cordova Community Charter School (Nonclassroom Based):			
Transitional Kindergarten through Third	56		56
Fourth through Sixth	55		54
Seventh and Eighth	<u>48</u>		<u>47</u>
Charter School Total	<u><u>159</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, 2017

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
DISTRICT				
Kindergarten	36,000	36,381	181	In compliance
Grade 1	50,400	54,348	181	In compliance
Grade 2	50,400	54,348	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	61,670	181	In compliance
Grade 7	54,000	61,670	181	In compliance
Grade 8	54,000	61,670	181	In compliance
Grade 9	64,800	65,818	181	In compliance
Grade 10	64,800	65,818	181	In compliance
Grade 11	64,800	65,818	181	In compliance
Grade 12	64,800	65,818	181	In compliance

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2017

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	10115	\$ 3,071,062
84.027	Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	10115	18,044
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13431	78,813
84.173	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13430	1,000
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	13682	176,788
84.027	Special Ed: Alternate Dispute Resolution, Part B, Sec 611	13007	3,768
84.027A	Special Education: IDEA Mental Health Services	15197	<u>219,934</u>
	Subtotal Special Education Cluster		<u>3,569,409</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	68,581
84.002	Adult Education: Adult Secondary Education	13978	111,723
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	<u>17,869</u>
	Subtotal Adult Education Programs		<u>198,173</u>
	ESEA: Title II, Part A Programs:		
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	578,988
84.367	ESEA: Title II, Part A, Administrator Training	14344	<u>381</u>
	Subtotal ESEA: Title II, Part A		<u>579,369</u>
	ESEA: Title III Programs:		
84.365	ESEA: Title III, Immigrant Education Program	15146	32,363
84.365	ESEA: Title III, English Learner Student Program	14346	<u>163,428</u>
	Subtotal ESEA: Title III Programs		<u>195,791</u>
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	2,341,524
84.377	NCLB: Title I, School Improvement Grant (SIG)	15364	44,626
84.196	ESEA: Title X McKinney-Vento Homeless Children Assistance Grants	14332	131,634

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education (continued)</u>			
84.048	Carl D.Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	\$ 121,891
84.330B	NCLB Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	16,239
84.181	Special Education: IDEA Early Intervention Grants, Part C	23761	<u>91,745</u>
	Total U.S. Department of Education		<u>7,290,401</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs: Child Nutrition Cluster	13391	276,740
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	<u>4,095,055</u>
	Total U.S. Department of Agriculture		<u>4,371,795</u>
	Total Federal Programs		<u>\$ 11,662,196</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, 2017

	Student Care Center <u>Fund</u>
June 30, 2017 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 1,552,383
Client requested adjustment for GASB 68	<u>15,758</u>
June 30, 2017 Audit Financial Statements Ending Fund Balance	<u>\$ 1,568,141</u>
	Building <u>Fund</u>
June 30, 2017 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 76,138,137
Client requested adjustment for cross-over refunding of General Obligation Bonds	<u>33,035,021</u>
June 30, 2017 Audit Financial Statements Ending Fund Balance	<u>\$ 109,173,158</u>
	Bond Interest and Redemption <u>Fund</u>
June 30, 2017 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 23,783,711
Client requested adjustment to record the debt issuance premium in the Bond Interest and Redemption Fund	<u>4,827,158</u>
June 30, 2017 Audit Financial Statements Ending Fund Balance	<u>\$ 28,610,869</u>

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

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the Year Ended June 30, 2017
 (Unaudited)

	(Budgeted) <u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund				
Revenues and other financing sources	<u>\$201,440,033</u>	<u>\$201,855,875</u>	<u>\$197,558,985</u>	<u>\$163,270,794</u>
Expenditures	202,507,507	206,539,240	185,340,303	162,276,737
Other uses and transfers out	<u>1,750,000</u>	<u>1,150,000</u>	<u>2,137,354</u>	<u>2,526,593</u>
Total outgo	<u>204,257,507</u>	<u>207,689,240</u>	<u>187,477,657</u>	<u>164,803,330</u>
Changes in fund balance	<u>\$ (2,817,474)</u>	<u>\$ (5,833,365)</u>	<u>\$ 10,081,328</u>	<u>\$ (1,532,536)</u>
Ending fund balance	<u>\$ 27,844,114</u>	<u>\$ 30,661,588</u>	<u>\$ 36,494,953</u>	<u>\$ 26,413,625</u>
Available reserves	<u>\$ 8,562,737</u>	<u>\$ 9,180,958</u>	<u>\$ 6,008,969</u>	<u>\$ 5,213,848</u>
Designated for economic uncertainties	<u>\$ 6,130,000</u>	<u>\$ 6,345,000</u>	<u>\$ 5,700,000</u>	<u>\$ 4,875,000</u>
Undesignated fund balance	<u>\$ 2,432,737</u>	<u>\$ 2,835,958</u>	<u>\$ 308,969</u>	<u>\$ 338,848</u>
Available reserves as percentages of total outgo	<u>4.19%</u>	<u>4.42%</u>	<u>3.21%</u>	<u>3.16%</u>
All Funds				
Total long-term liabilities	<u>\$615,598,988</u>	<u>\$638,083,522</u>	<u>\$487,145,826</u>	<u>\$398,063,152</u>
Average daily attendance at P-2	<u>19,297</u>	<u>19,297</u>	<u>18,902</u>	<u>18,419</u>

The General Fund fund balance has increased by \$2,715,427 over the past three years. The fiscal year 2017-2018 budget projects an decrease of \$2,817,474. 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 2017-2018.

Total long-term liabilities have increased by \$240,020,370 over the past two years, primarily due to debt issuance and recognition of net pension liability.

Average daily attendance has increased by 878 over the past two years. No change in ADA is projected for the 2017-2018 fiscal year.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2017

<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.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
For the Year Ended June 30, 2017

	<u>First 5 Sacramento</u>
Revenues:	
Other local sources	\$ <u>475,997</u>
Expenditures:	
Current:	
Certificated salaries	103,775
Classified salaries	228,516
Employee benefits	84,764
Books and supplies	12,848
Contract services and operating expenditures	25,509
Indirect costs	<u>20,585</u>
Total expenditures	<u>475,997</u>
Net change in fund balance	-
Fund balances, July 1, 2016	<u>-</u>
Fund balances, June 30, 2017	<u><u>\$ -</u></u>

See accompanying notes to supplementary information.

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 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.

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 2017-2018 fiscal year, as required by the State Controller's Office.

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, 2017, 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 *2016-17 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, 2017.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Related Services	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, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

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

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this 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 *2016-17 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 2017-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Folsom Cordova Unified School District did not comply with requirements regarding Kindergarten Continuance. 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 Kindergarten Continuance.

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, 2017.

(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 *2016-17 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
Crowe Horwath LLP

Sacramento, California
December 15, 2017

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, 2017, 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 15, 2017.

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.

(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*.

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
Crowe Horwath LLP

Sacramento, California
December 15, 2017

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, 2017. 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, 2017.

(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

Crowe Horwath LLP

Sacramento, California
December 15, 2017

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, 2017.

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, 2017.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 15, 2017

FINDINGS AND RECOMMENDATIONS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

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
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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>
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected

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

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-001 - DEFICIENCY – STATE COMPLIANCE – KINDERGARTEN CONTINUANCE (40000)

Criteria

Education Code 48011 requires a child who has completed a year of kindergarten to be promoted to first grade, unless the parent or guardian and the District agree that the child may continue in kindergarten not more than one additional year. A parent or guardian who agrees their child is to continue in kindergarten must sign a Kindergarten Continuance form prior to the beginning of the school year.

Condition

The Kindergarten Continuance form for one student was improperly completed.

Effect

The effect of this finding is an overstatement of .98 ADA for the K-3 grade span.

Cause

The error was due to District personnel not reviewing the Kindergarten Continuance form.

Fiscal Impact

The overstatement results in approximately \$8,000 of funding for the grade K-3 grade span.

Recommendation

The District should ensure Kindergarten Continuance Forms are properly completed for every student.

Views of Responsible Officials and Planned Corrective Actions

District staff are working with sites to ensure they understand the process and that every form is reviewed for accuracy.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2016-001 <u>Condition:</u> 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. <u>Recommendation:</u> School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:	Implemented.	
2016-002 <u>Condition:</u> At Cordova High School one student was improperly included for a total misstatement of 1 day. <u>Recommendation:</u> The District should ensure attendance records are correct.	Implemented.	