

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
Folsom, California

FINANCIAL STATEMENTS
June 30, 2013

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	16
Statement of Net Position - Proprietary Fund - Student Care Center Fund	17
Statement of Change in Net Position - Proprietary Fund - Student Care Center Fund	18
Statement of Cash Flows - Proprietary Fund - Student Care Center Fund	19
Statement of Fiduciary Net Position - Trust and Agency Funds	20
Statement of Change in Fiduciary Net Position - Trust Fund	21
Notes to Basic Financial Statements	22

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	46
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	47
Notes to Required Supplementary Information	48
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	49
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	50
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	51
Organization	53
Schedule of Average Daily Attendance	54
Schedule of Instructional Time	55
Schedule of Expenditure of Federal Awards	56
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	58
Schedule of Financial Trends and Analysis - Unaudited	59
Schedule of Charter Schools	60
Schedule of First 5 Revenues and Expenditures	61
Notes to Supplementary Information	62
Independent Auditor's Report on Compliance with State Laws and Regulations	64

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
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 <i>Government Auditing Standards</i>	66
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	68
Report of Independent Auditor's on Compliance with Requirements Applicable to the First 5 Sacramento County Program and on Internal Control over Compliance in Accordance with A Program-Specific Audit	70
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	72
Status of Prior Year Findings and Recommendations	76

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, 2013, and the related notes to the financial statements, which collectively comprise Folsom Cordova Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Folsom Cordova Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 10 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 46 and 47 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Folsom Cordova Unified School District's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures 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 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of Folsom Cordova Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Folsom Cordova Unified School District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Management Discussion & Analysis

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

Financial Reports

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

Overview of the Financial Statements

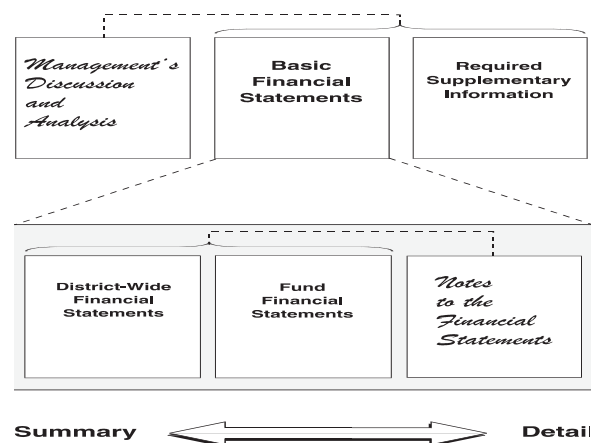
This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

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

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



District-wide Statements

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

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

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

Type of Statements	Fund Statements			
	District-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	•statement of net assets	•balance sheet	•statement of net assets	•statement of fiduciary net assets
	•statement of activities	•statement of revenues, expenditures & changes in fund balances	•statement of revenues, expenses & changes in fund net assets •statement of cash flows	•statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; Standard's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

- *Proprietary funds*—Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- In fact, the District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Statement of Net Position

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

	All Funds Governmental Activities		Percentage Change <u>2012-2013</u>
	<u>2012</u>	<u>2013</u>	
Current and other assets	65,098,410	64,678,602	
Capital assets	<u>453,872,778</u>	<u>445,890,058</u>	
Total assets	518,971,188	510,568,660	-1.6%
Long-term debt outstanding	262,953,207	255,836,681	
Other liabilities	<u>6,223,564</u>	<u>4,593,899</u>	
Total liabilities	269,176,771	260,430,580	-3.2%
Net investment in capital assets	225,949,252	215,842,029	
Restricted	27,965,667	35,123,954	
Unrestricted	<u>-4,120,502</u>	<u>-827,903</u>	
Total net position	249,794,417	250,138,080	0.1%

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>2012</u>	<u>2013</u>
Revenues			
Program Revenues:			
Charges for Services	\$	1,823,422	\$ 1,840,657
Operating Grants		32,010,636	27,611,431
Capital Grants and Contributions		0	0
General Revenues			
Property Taxes		50,971,210	49,919,108
Federal and State Aid		71,800,896	75,442,103
Other		<u>7,334,373</u>	<u>11,619,786</u>
Total Revenues		<u>\$163,940,537</u>	<u>\$166,433,085</u>
Program Expenses			
Instruction		98,986,306	94,821,365
Instruction Related Services		16,298,074	16,660,064
Pupil Services		15,176,619	15,444,422
Ancillary Services		2,590,882	2,860,499
Community Services		3,143	0
General Administration		8,635,697	9,216,377
Plant Services		13,626,368	14,782,920
Interest		12,191,093	112,086,606
Other		<u>318,038</u>	<u>217,169</u>
Total Expenses		<u>167,826,220</u>	<u>166,089,422</u>
(Decrease) Increase in Net Position		(3,885,683)	343,663
Net Position – Beginning		<u>253,680,100</u>	<u>249,794,417</u>
Net Position – Ending		<u>\$ 249,794,417</u>	<u>\$ 250,138,080</u>

Financial Condition of General Fund

Folsom Cordova Unified School District is striving to maintain its solid financial condition. Ending fund balance has averaged 17.2% over the last ten (10) years and is currently five (5) times the minimum required reserve of 3%. The following table summarizes operational fund financial statements:

	General Fund		Percentage Change <u>2012-2013</u>
	<u>2012</u>	<u>2013</u>	
Total Revenues	\$ 141,509,252	\$ 139,796,818	
Expenses	134,290,010	136,455,489	
Other financing sources	<u>-1,672,705</u>	<u>-1,402,176</u>	
Excess of revenues over expenses	\$ 5,546,537	\$ 1,939,153	-65.0%

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

Capital Assets

At year-end, the District has invested \$4,725,095 in modernization and new construction from the following combined sources for 2012-13. This represents a -80.7% decrease from last year's amount of \$24,442,581.

	All Funds		Percentage Change <u>2012-2013</u>
	<u>2012</u>	<u>2013</u>	
Land	\$ 49,116,097	\$ 49,116,097	
Improvement of sites	25,560,285	27,331,840	
Buildings	424,297,733	483,495,744	
Equipment	26,891,821	33,977,277	
Work-in-process	<u>78,300,495</u>	<u>14,970,568</u>	
Total	\$ 604,166,431	\$ 608,891,526	0.78%

District Indebtedness

At year-end, the District has incurred \$255,836,681 of long-term debt. Of that, \$203,667,597 is General Obligation Bonds secured by property tax increases voted on by local residents. In January 2007, the District issued \$35.8 million in Certificates of Participation for new school construction projects in Folsom. In October 2007, the District sold \$64 million in bonds for SFID #3 (Measure M) and SFID #4 (Measure N). Proceeds from Measure M will be used to acquire land and construct new facilities. Proceeds from Measure N will fund a wide variety of projects throughout the existing campuses in Rancho Cordova.

	Governmental Activities		Percentage Change <u>2012-2013</u>
	<u>2012</u>	<u>2013</u>	
Compensated absences	\$ 886,831	\$ 858,696	
Certificates of participation	26,602,349	24,102,349	
General obligation bonds	205,060,450	203,667,597	
Capital lease	2,421,268	2,278,085	
Post-employment medical benefit:	<u>27,055,802</u>	<u>24,929,954</u>	
Total	\$ 262,953,207	\$ 255,836,681	-2.71%

Cost of Governmental Services

At year-end, the District's General Fund cost of operation was \$135,976,898. Total District expenditures were \$1,932,239 more than the previous year due to step and column adjustments, staff development and sites spending carryover money.

	General Fund		Percentage Change <u>2012-2013</u>
	<u>2012</u>	<u>2013</u>	
Instruction	\$ 99,977,671	\$ 100,751,960	
Pupil services	11,010,436	9,989,495	
Ancillary services	2,585,865	2,874,333	
Community services	28	0	
General Administration	6,871,419	7,547,652	
Enterprise	-13,595	-17,411	
Plant Services	12,906,350	14,212,788	
Other Outgo	<u>706,487</u>	<u>618,081</u>	
Total	\$ 134,044,659	\$ 135,976,898	1.4 %

Budget to Actual Analysis

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

	<u>Estimated June 2013</u>	<u>Actual 2013</u>	<u>Percentage Variance</u>
Revenues			
Revenue Limit	97,547,442	97,410,798	
Federal Revenues	8,118,275	7,282,703	
State Revenues	29,594,108	29,403,316	
Local Revenues	<u>5,823,147</u>	<u>5,700,001</u>	
Total Revenues	141,082,972	139,796,818	-0.91%
Expenditures			
Salaries & Benefits	118,454,805	117,499,721	
Books & Supplies	4,987,577	5,026,866	
Services & Other Operating	13,601,765	12,921,871	
Capital Outlay/Other Outgo	<u>827,100</u>	<u>1,007,031</u>	
Total Expenditures	137,871,247	136,455,489	-1.03%

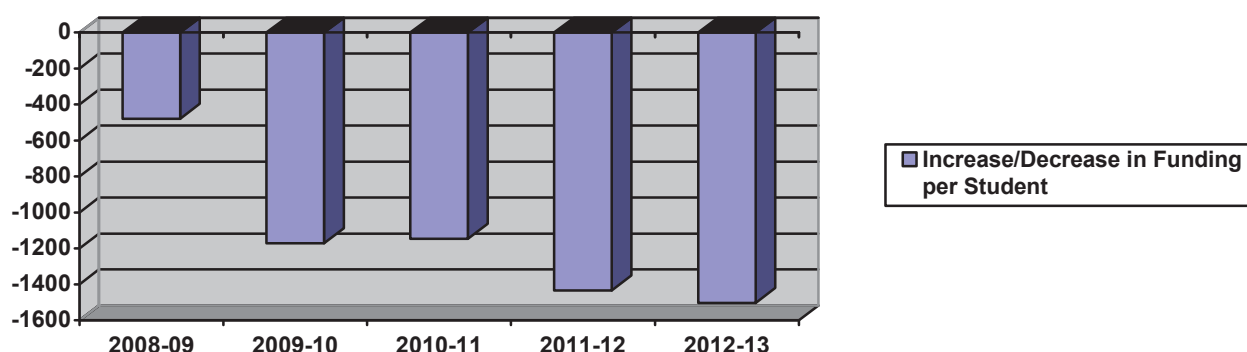
Total budgeted revenues were \$1,286,154 lower than actual revenues received. Total expenditures were \$1,415,758 less than budgeted due to close management of expenditures by the District, lower than expected expenses for summer projects, and lower categorical and department expenses which resulted in higher than anticipated carryovers.

Financial Issues

Per Pupil Funding

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

Increase/Decrease in Per Pupil Funding



State Budget Shortfall

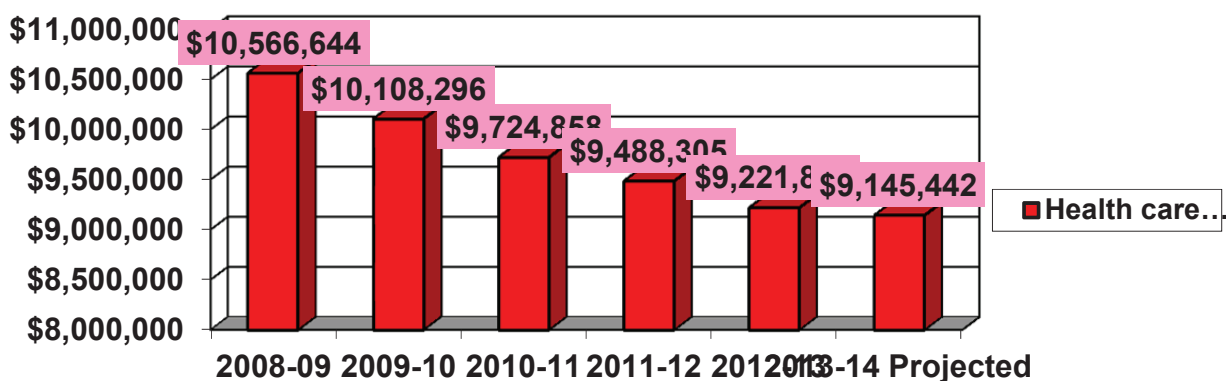
The state borrowed significant funds to continue reduced spending levels. The state deferred paying for certain school programs until after July 1, 2013.

Program	Apportionments for Folsom Cordova USD	Dollar Amount Deferred for Folsom Cordova USD
School Safety and Violence Prevention	\$.231 million	\$.11 million
GATE	\$.135 million	\$.05 million
P-2 Apportionments (including Revenue limit, hourly programs, Class Size Reduction, Community Day School and Special Education)		\$18.6 million
Total Amount of Apportionments Delayed Until 2013-14		\$18.76 million

Health Care Cost Trends

District-Wide Health Care costs in the past had a 5% average annual increase due to increased costs for dental premiums, and additional positions for growth and program staffing. However, over the last few years with cuts and layoffs, the trend has been decreasing despite the increased cost. The graph below shows the trends:

Trends in District-Wide Health Care Costs



Categorical Funding

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

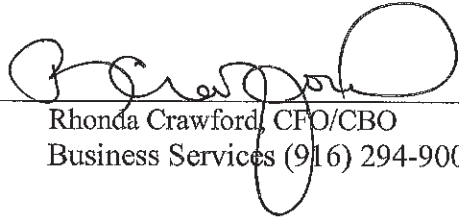
As State revenue growth fluctuates, LCFF is implemented, LCAPP is developed, health care costs rise, the Affordable Care Act is implemented, Common Core Standards are implemented, and ongoing expenditures take a larger share of state revenue, District management must vigorously pursue three major courses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

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

Contacting the District's Financial Management

If you have questions regarding this report or need additional financial information, contact Kristi Blandford, Director of Fiscal Services, (916) 294-9006, ext. 104310.

Approved by: _____


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

BASIC FINANCIAL STATEMENTS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 38,316,770	\$ 1,187,534	\$ 39,504,304
Receivables	26,265,039	1,546	26,266,585
Due (to) from other funds (Note 3)	67,172	(67,172)	-
Prepaid expenses	3,392	2,177	5,569
Stores inventory	26,229	-	26,229
Non-depreciable capital assets (Note 4)	64,086,665	-	64,086,665
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>381,803,393</u>	<u>-</u>	<u>381,803,393</u>
Total assets	<u>510,568,660</u>	<u>1,124,085</u>	<u>511,692,745</u>
LIABILITIES			
Accounts payable	4,203,766	23,568	4,227,334
Unearned revenue	390,133	-	390,133
Long-term liabilities (Note 5):			
Due within one year	10,137,304	-	10,137,304
Due after one year	<u>245,699,377</u>	<u>-</u>	<u>245,699,377</u>
Total liabilities	<u>260,430,580</u>	<u>23,568</u>	<u>260,454,148</u>
NET POSITION			
Net investment in capital assets	215,842,029	-	215,842,029
Restricted (Note 6)	35,123,954	1,100,517	36,224,471
Unrestricted	<u>(827,903)</u>	<u>-</u>	<u>(827,903)</u>
Total net position	<u>\$ 250,138,080</u>	<u>\$ 1,100,517</u>	<u>\$ 251,238,597</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities (Note 4):							
Instruction	\$ 94,821,365	\$ 7,832	\$ 15,508,738	\$ -	\$ (79,304,795)	\$ -	\$ (79,304,795)
Instruction-related services:							
Supervision of instruction	5,145,938	1,522	1,760,427	-	(3,383,989)	-	(3,383,989)
Instructional library, media and technology	468,096	229	1,931	-	(465,936)	-	(465,936)
School site administration	11,046,030	-	426,502	-	(10,619,528)	-	(10,619,528)
Pupil services:							
Home-to-school transportation	3,448,864	178,114	938,363	-	(2,332,387)	-	(2,332,387)
Food services	5,341,060	1,408,409	3,398,244	-	(534,407)	-	(534,407)
All other pupil services	6,654,498	2,471	2,004,451	-	(4,647,576)	-	(4,647,576)
General administration:							
Data processing	2,199,559	-	-	-	(2,199,559)	-	(2,199,559)
All other general administration	7,016,818	73,993	1,681,151	-	(5,261,674)	-	(5,261,674)
Plant services	14,782,920	28,092	140,694	-	(14,614,134)	-	(14,614,134)
Ancillary services	2,860,499	3,355	708,755	-	(2,148,389)	-	(2,148,389)
Enterprise activities	10,760	-	-	-	(10,760)	-	(10,760)
Interest on long-term liabilities	12,086,606	-	-	-	(12,086,606)	-	(12,086,606)
Other outgo	206,409	136,640	1,042,175	-	972,406	-	972,406
Business-type activities:							
Enterprise activities	<u>1,904,292</u>	<u>2,699,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>794,732</u>	<u>794,732</u>
Total governmental and business-type activities	<u>\$ 167,993,714</u>	<u>\$ 7,238,705</u>	<u>\$ 27,611,431</u>	<u>\$ -</u>	<u>(136,637,334)</u>	<u>794,732</u>	<u>(135,842,602)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					37,363,905	-	37,363,905
Taxes levied for debt service					12,376,268	-	12,376,268
Taxes levied for other specific purposes					178,935	-	178,935
Federal and state aid not restricted to specific purposes					75,442,103	-	75,442,103
Interest and investment earnings					177,277	3,242	180,519
Interagency revenues					344,326	-	344,326
Miscellaneous					10,941,737	-	10,941,737
Internal transfers					<u>156,446</u>	<u>(156,446)</u>	<u>-</u>
Total general revenues					<u>136,980,997</u>	<u>(153,204)</u>	<u>136,827,793</u>
Change in net position					343,663	641,528	985,191
Net position, July 1, 2012,					<u>249,794,417</u>	<u>458,989</u>	<u>250,253,406</u>
Net position, June 30, 2013					<u>\$ 250,138,080</u>	<u>\$ 1,100,517</u>	<u>\$ 251,238,597</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 12,137,521	\$ 4,807,501	\$ 11,695,739	\$ 9,006,889	\$ 37,647,650
Cash on hand and in banks	372,555	7,436	-	187,654	567,645
Cash in revolving fund	75,000	-	-	10,000	85,000
Cash with Fiscal Agent	-	-	-	16,475	16,475
Receivables	25,413,941	17,005	112,365	721,728	26,265,039
Due from other funds	366,293	800,000	-	603,637	1,769,930
Prepaid expenditures	3,392	-	-	-	3,392
Stores inventory	-	-	-	26,229	26,229
	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,229</u>	<u>26,229</u>
Total assets	<u>\$ 38,368,702</u>	<u>\$ 5,631,942</u>	<u>\$ 11,808,104</u>	<u>\$ 10,572,612</u>	<u>\$ 66,381,360</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,383,668	\$ 580,564	\$ 14,344	\$ 296,791	\$ 3,275,367
Unearned revenue	385,767	-	4,366	-	390,133
Due to other funds	<u>1,275,351</u>	<u>-</u>	<u>-</u>	<u>427,407</u>	<u>1,702,758</u>
Total liabilities	<u>4,044,786</u>	<u>580,564</u>	<u>18,710</u>	<u>724,198</u>	<u>5,368,258</u>
Fund balances:					
Nonspendable	78,392	-	-	36,229	114,621
Restricted	8,434,768	5,051,378	11,789,394	9,812,185	35,087,725
Assigned	19,748,558	-	-	-	19,748,558
Unassigned	<u>6,062,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,062,198</u>
Total fund balances	<u>34,323,916</u>	<u>5,051,378</u>	<u>11,789,394</u>	<u>9,848,414</u>	<u>61,013,102</u>
Total liabilities and fund balances	<u>\$ 38,368,702</u>	<u>\$ 5,631,942</u>	<u>\$ 11,808,104</u>	<u>\$ 10,572,612</u>	<u>\$ 66,381,360</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, 2013

Total fund balances - Governmental Funds \$ 61,013,102

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 \$608,891,526 and the accumulated depreciation is \$163,001,468 (Note 4).

445,890,058

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, 2013 consisted of (Note 5):

Certificates of Participation	\$ (24,102,349)
General Obligation Bonds	(171,875,674)
Accreted interest	(31,791,923)
Capital lease	(2,278,085)
Other postemployment benefits (Note 8)	(24,929,954)
Compensated absences	<u>(858,696)</u>

(255,836,681)

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.

(928,399)

Total net position - governmental activities

\$ 250,138,080

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, 2013

	<u>General Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 60,306,553	\$ -	\$ -	\$ 372,095	\$ 60,678,648
Local sources	<u>37,104,245</u>	<u>-</u>	<u>-</u>	<u>252,876</u>	<u>37,357,121</u>
Total revenue limit	<u>97,410,798</u>	<u>-</u>	<u>-</u>	<u>624,971</u>	<u>98,035,769</u>
Federal sources	7,282,703	-	-	3,624,617	10,907,320
Other state sources	29,403,316	-	115,375	1,100,567	30,619,258
Other local sources	<u>5,700,001</u>	<u>821,474</u>	<u>13,471,769</u>	<u>6,925,995</u>	<u>26,919,239</u>
Total revenues	<u>139,796,818</u>	<u>821,474</u>	<u>13,587,144</u>	<u>12,276,150</u>	<u>166,481,586</u>
Expenditures:					
Certificated salaries	69,465,659	-	-	912,358	70,378,017
Classified salaries	25,011,066	-	-	3,147,739	28,158,805
Employee benefits	23,022,996	-	-	1,232,956	24,255,952
Books and supplies	5,026,866	10,408	-	2,693,934	7,731,208
Contract services and operating expenditures	12,921,871	14,777	-	797,076	13,733,724
Capital outlay	388,950	612,355	-	3,840,111	4,841,416
Other outgo	206,409	-	-	-	206,409
Debt service:					
Principal retirement	309,267	38,857	6,128,974	2,500,000	8,977,098
Interest	<u>102,405</u>	<u>-</u>	<u>6,235,259</u>	<u>1,061,843</u>	<u>7,399,507</u>
Total expenditures	<u>136,455,489</u>	<u>676,397</u>	<u>12,364,233</u>	<u>16,186,017</u>	<u>165,682,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,341,329</u>	<u>145,077</u>	<u>1,222,911</u>	<u>(3,909,867)</u>	<u>799,450</u>
Other financing sources (uses):					
Operating transfers in	379,655	200,000	-	2,059,924	2,639,579
Operating transfers out	(1,986,772)	-	-	(496,361)	(2,483,133)
Proceeds from issuance of capital lease	<u>204,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,941</u>
Total other financing sources (uses)	<u>(1,402,176)</u>	<u>200,000</u>	<u>-</u>	<u>1,563,563</u>	<u>361,387</u>
Net change in fund balances	1,939,153	345,077	1,222,911	(2,346,304)	1,160,837
Fund balances, July 1, 2012	<u>32,384,763</u>	<u>4,706,301</u>	<u>10,566,483</u>	<u>12,194,718</u>	<u>59,852,265</u>
Fund balances, June 30, 2013	<u><u>\$ 34,323,916</u></u>	<u><u>\$ 5,051,378</u></u>	<u><u>\$ 11,789,394</u></u>	<u><u>\$ 9,848,414</u></u>	<u><u>\$ 61,013,102</u></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, 2013

Net change in fund balances - Total Governmental Funds		\$ 1,160,837
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).	\$ 4,725,095	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(12,707,815)	
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).	8,977,098	
Debt proceeds are recognized as other financing sources in the governmental funds, but are recognized as an increase to liabilities in the statement of net position. (Note 5).	(204,941)	
Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(4,736,121)	
Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net position (Notes 5 and 8).	3,052,355	
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.	49,020	
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>28,135</u>	<u>(817,174)</u>
Change in net position of governmental activities		<u>\$ 343,663</u>

See accompanying notes to financial statements.

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

June 30, 2013

ASSETS

Current assets:

Cash in County Treasury	\$ 1,106,720
Cash in banks	80,814
Receivables	1,546
Due from other funds	1,155
Prepaid expenditures	<u>2,177</u>

Total current assets	<u>1,192,412</u>
----------------------	------------------

LIABILITIES

Current liabilities:

Accounts payable	23,568
Due to other funds	<u>68,327</u>

Total current liabilities	<u>91,895</u>
---------------------------	---------------

NET POSITION

Net position - restricted	<u><u>\$ 1,100,517</u></u>
---------------------------	----------------------------

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, 2013

Operating revenues:	
Children Center fees	\$ 2,696,689
Other local revenues	<u>2,335</u>
Total operating revenues	<u>2,699,024</u>
Operating expenses:	
Certificated salaries	119,206
Classified salaries	1,165,913
Employee benefits	381,261
Books and supplies	124,373
Contract services and operating expenses	<u>113,539</u>
Total operating expenses	<u>1,904,292</u>
Operating income	794,732
Non-operating income (expense):	
Interest income	3,242
Transfers to other funds	<u>(156,446)</u>
Total non-operating income (expense)	<u>(153,204)</u>
Change in net position	641,528
Net position, July 1, 2012	<u>458,989</u>
Net position, June 30, 2013	<u><u>\$ 1,100,517</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, 2013

Cash flows from operating activities:	
Cash received for children center fees	\$ 2,697,710
Cash paid for employee benefits and operating expenses	<u>(1,909,986)</u>
Net cash provided by operating activities	<u>787,724</u>
Cash flows used in noncapital financing activities:	
Transfer to other funds	(102,848)
Cash flows provided by investing activities:	
Interest income	<u>3,242</u>
Change in cash and investments	688,118
Cash and investments, July 1, 2012	<u>499,416</u>
Cash and investments, June 30, 2013	<u><u>\$ 1,187,534</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 794,732</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	(1,314)
Decrease in:	
Accounts payable	<u>(5,694)</u>
Total adjustments	<u>(7,008)</u>
Net cash provided by operating activities	<u><u>\$ 787,724</u></u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

TRUST AND AGENCY FUNDS

June 30, 2013

	<u>Trust Fund</u>	<u>Agency Funds</u>		
	<u>Retiree Benefit</u>	<u>Deferred Compen- sation</u>	<u>Student Body</u>	<u>Total</u>
ASSETS				
Cash and investments (Note 2):				
Cash in County Treasury	\$ 5,837,649	\$ -	\$ -	\$ 5,837,649
Cash on hand and in banks	-	-	1,000,255	1,000,255
Deferred compensation	-	858,696	-	858,696
Receivables	<u>12,270</u>	<u>-</u>	<u>-</u>	<u>12,270</u>
Total assets	<u>5,849,919</u>	<u>858,696</u>	<u>1,000,255</u>	<u>7,708,870</u>
LIABILITIES				
Accounts payable	12,034	-	-	12,034
Deferred compensation	-	858,696	-	858,696
Due to student groups	<u>-</u>	<u>-</u>	<u>1,000,255</u>	<u>1,000,255</u>
Total liabilities	<u>12,034</u>	<u>858,696</u>	<u>1,000,255</u>	<u>1,870,985</u>
NET POSITION				
Net position held in trust for retiree benefits - restricted (Note 6)	<u>\$ 5,837,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,837,885</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**STATEMENT OF CHANGE IN
FIDUCIARY NET POSITION**

TRUST FUND

For the Year Ended June 30, 2013

	<u>Retiree Benefit</u>
Revenues:	
Local sources	<u>\$ 791,471</u>
Expenditures:	
Contract services and operating expenditures	<u>695,151</u>
Change in net assets	96,320
Net position held in trust for retiree benefits, July 1, 2012	<u>5,741,565</u>
Net position held in trust for retiree benefits, June 30, 2013	<u><u>\$ 5,837,885</u></u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Revenues, Expenditures and Change in Fiduciary Net Position at the fund financial statement level.

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

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Presentation - Fund Accounting

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

A - Major Funds

1 - General Fund:

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

2 - Special Reserve for Capital Projects Fund:

The Special Reserve for Capital Projects Fund is used to account for resources used for the acquisition or construction of major capital facilities and equipment.

3 - Bond Interest and Redemption Fund:

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds

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

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

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

The Retiree Benefits Fund is used to account for assets held by the District as trustee.

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

Basis of Accounting

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

A - Accrual

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

B - Modified Accrual

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

Budgets and Budgetary Accounting

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

Receivables

Receivables are made up principally of amounts due from the State of California for Revenue Limit funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2013.

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.

Cafeteria Food Purchases

The Cafeteria Fund reflects supplies expense of \$2,470,760. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Compensated Absences

Compensated absences totaling \$858,696 are recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

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

Unearned Revenue

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

Property Taxes

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

Restricted Net Position

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2013, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2013, no such designation has occurred.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

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, 2013, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Custodial Relationships

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

Deferred Compensation

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Estimates

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

New Accounting Pronouncements

In November 2010 GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010 GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011 GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In March, 2012 GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District’s fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District’s financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012 GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2013 consisted of the following:

	Governmental Activities	Business- Type Activities	Fiduciary Activities
Pooled Funds:			
Cash in County Treasury	\$ 37,647,650	\$ 1,106,720	\$ 5,837,649
Deposits:			
Cash on hand and in banks	567,645	80,814	1,000,255
Cash in revolving fund	85,000	-	-
Investments:			
Cash with Fiscal Agent	16,475	-	-
Deferred compensation	-	-	858,696
Total	<u>\$ 38,316,770</u>	<u>\$ 1,187,534</u>	<u>\$ 7,696,600</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

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

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

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2013, the Sacramento County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts were \$1,733,714, and the bank balances were \$1,709,582, of which \$393,335 was insured.

Investments

Investments at June 30, 2013 consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash with Fiscal Agent	\$ 16,475	\$ 16,475
Deferred compensation	<u>858,696</u>	<u>858,696</u>
	<u>\$ 875,171</u>	<u>\$ 875,171</u>

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

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, 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, 2013, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2013 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 366,293	\$ 1,275,351
Special Reserve for Capital Projects	800,000	-
Non-Major Governmental Funds:		
Charter School	20,244	139,812
Adult Education	72,348	482
Child Development	1,535	14,234
Cafeteria	-	188,678
Deferred Maintenance	408,837	-
Capital Facilities	59,372	-
Building	41,301	84,200
County School Facilities	-	1
Proprietary Fund:		
Student Care Center	<u>1,155</u>	<u>68,327</u>
Totals	<u>\$ 1,771,085</u>	<u>\$ 1,771,085</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2012-2013 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of deferred maintenance funding.	\$ 1,300,566
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for the cell tower repayment.	200,000
Transfer from the General Fund to the Adult Education Fund for direct and indirect support costs.	463,962
Transfer from the General Fund to the Charter School Fund for the Charter School summer project.	22,244
Transfer from the Child Development Fund to the General Fund for indirect costs.	40,915
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	232,734
Transfer from the Cafeteria Fund to the Capital Facilities Fund for the Williamson Kitchen Renovation.	212,712
Transfer from the Deferred Maintenance Fund to the Building Fund for contributions to projects.	10,000
Transfer from the Student Care Fund to the Capital Facilities Fund for the student care portable.	50,440
Transfer from the Student Care Fund to the General Fund for indirect costs.	<u>106,006</u>
	<u><u>\$ 2,639,579</u></u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions and Transfers	Deductions and Transfers	Balance June 30, 2013
Non-depreciable:				
Land	\$ 49,116,097	\$ -	\$ -	\$ 49,116,097
Work-in-process	78,300,495	1,604,855	(64,934,782)	14,970,568
Depreciable:				
Improvement of sites	25,560,285	1,771,555	-	27,331,840
Buildings	424,297,733	59,198,011	-	483,495,744
Equipment	<u>26,891,821</u>	<u>7,085,456</u>	<u>-</u>	<u>33,977,277</u>
Totals, at cost	<u>604,166,431</u>	<u>69,659,877</u>	<u>(64,934,782)</u>	<u>608,891,526</u>
Less accumulated depreciation:				
Improvement of sites	(18,385,310)	(1,644,955)	-	(20,030,265)
Buildings	(123,235,373)	(10,831,979)	-	(134,067,352)
Equipment	<u>(8,672,970)</u>	<u>(230,881)</u>	<u>-</u>	<u>(8,903,851)</u>
Total accumulated depreciation	<u>(150,293,653)</u>	<u>(12,707,815)</u>	<u>-</u>	<u>(163,001,468)</u>
Governmental activities capital assets, net	<u>\$ 453,872,778</u>	<u>\$ 56,952,062</u>	<u>\$ (64,934,782)</u>	<u>\$ 445,890,058</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,860,298
Supervision of instruction	142,613
Instructional library, media and technology	12,201
School site administration	5,174
Home-to-school transportation	18,140
Food services	30,988
All other pupil services	35,104
Ancillary services	2,020
Enterprise activities	28,171
All other general administration	270,154
Data processing	262,664
Plant services	<u>40,288</u>
Total depreciation expense	<u>\$ 12,707,815</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES

Certificates of Participation

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

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

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

Year Ending <u>June 30,</u>	<u>Payments</u>
2014	\$ 3,554,866
2015	3,557,939
2016	3,554,695
2017	3,563,879
2018	3,555,133
2019-2023	10,990,862
2024	<u>95,225</u>
	28,872,599
Less amount representing interest	<u>(4,770,250)</u>
	<u><u>\$ 24,102,349</u></u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

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

The annual payments required to amortize the 1998 General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 400,078	\$ 469,922	\$ 870,000
2015	386,073	503,927	890,000
2016	374,052	540,948	915,000
2017	363,098	571,902	935,000
2018	350,813	609,187	960,000
2019-2023	<u>1,597,852</u>	<u>3,577,148</u>	<u>5,175,000</u>
	<u>\$ 3,471,966</u>	<u>\$ 6,273,034</u>	<u>\$ 9,745,000</u>

In July 2002, the District issued current interest and capital appreciation General Obligation Bonds, in an aggregate principal amount of \$54,992,172, maturing through July 2027, with interest rates from 3.00% to 5.73%.

The annual payments required to amortize the 2002 General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,845,000	\$ 786,347	\$ 3,631,347
2015	3,070,000	647,220	3,717,220
2016	3,290,000	510,913	3,800,913
2017	3,555,000	332,781	3,887,781
2018	3,173,794	801,494	3,975,288
2019-2023	8,008,308	13,311,692	21,320,000
2024-2028	<u>6,530,070</u>	<u>17,389,930</u>	<u>23,920,000</u>
	<u>\$ 30,472,172</u>	<u>\$ 33,780,377</u>	<u>\$ 64,252,549</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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

The annual payments required to amortize the 2004 General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,635,000	\$ 1,479,038	\$ 3,114,038
2015	1,770,000	1,415,663	3,185,663
2016	1,910,000	1,353,713	3,263,713
2017	2,060,000	1,284,475	3,344,475
2018	2,230,000	1,186,675	3,416,675
2019-2023	14,195,000	4,121,911	18,316,911
2024-2028	9,787,138	10,775,612	20,562,750
2029-2030	<u>4,251,711</u>	<u>4,669,039</u>	<u>8,920,750</u>
	<u>\$ 37,838,849</u>	<u>\$ 26,286,126</u>	<u>\$ 64,124,975</u>

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

The annual payments required to amortize the 2007 General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,785,000	\$ 1,159,525	\$ 2,944,525
2015	2,065,000	1,088,125	3,153,125
2016	2,400,000	984,875	3,384,875
2017	2,680,000	864,875	3,544,875
2018	3,150,000	740,100	3,890,100
2019-2023	18,223,016	6,669,684	24,892,700
2024-2028	14,748,680	18,651,320	33,400,000
2029-2033	<u>13,332,139</u>	<u>25,532,861</u>	<u>38,865,000</u>
	<u>\$ 58,383,835</u>	<u>\$ 55,691,365</u>	<u>\$ 114,075,200</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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

The annual payments required to amortize the 2009 General Obligation Bonds outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,000	\$ 2,452,299	\$ 2,552,299
2015	126,875	2,472,273	2,599,148
2016	125,000	2,495,624	2,620,624
2017	177,196	2,534,453	2,711,649
2018	155,000	2,546,449	2,701,449
2019-2023	4,127,744	14,411,906	18,539,650
2024-2028	11,006,738	22,873,532	33,880,270
2029-2033	13,462,792	37,662,018	51,124,810
2034-2036	<u>12,427,507</u>	<u>36,432,302</u>	<u>48,859,809</u>
	<u>\$ 41,708,852</u>	<u>\$ 123,880,856</u>	<u>\$ 165,589,708</u>

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, 2013, the accumulated depreciation related to these assets totaled \$1,402,740. The following is a schedule of the future payments for the capital lease:

Year Ending <u>June 30,</u>	<u>Payments</u>
2014	\$ 450,529
2015	450,529
2016	450,529
2017	450,529
2018	406,833
2019-2020	<u>406,833</u>
	2,615,782
Less amount representing interest	<u>(337,697)</u>
	<u>\$ 2,278,085</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
Certificates of Participation	\$ 26,602,349	\$ -	\$ 2,500,000	\$ 24,102,349	\$ 2,585,000
General Obligation Bonds	178,004,648	-	6,128,974	171,875,674	6,765,078
Accreted interest on General Obligation Bonds	27,055,802	5,172,145	436,024	31,791,923	469,922
Capital lease	2,421,268	204,941	348,124	2,278,085	317,304
Other postemployment benefits (Note 8)	27,982,309	-	3,052,355	24,929,954	-
Compensated absences	886,831	-	28,135	858,696	-
Totals	<u>\$ 262,953,207</u>	<u>\$ 5,377,086</u>	<u>\$ 12,493,612</u>	<u>\$ 255,836,681</u>	<u>\$ 10,137,304</u>

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

6. NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2013:

	Governmental Activities
Restricted for unspent categorical program revenues	\$ 8,434,768
Restricted for special revenues	4,738,670
Restricted for capital projects	10,161,122
Restricted for debt service	<u>11,789,394</u>
	<u>\$ 35,123,954</u>
	Business-Type Activities
Restricted for student care center	<u>\$ 1,100,517</u>
	Fiduciary Activities
Restricted for retiree benefits	<u>\$ 5,837,885</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 75,000	\$ -	\$ -	\$ 10,000	\$ 85,000
Prepaid expenditures	3,392	-	-	-	3,392
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,229</u>	<u>26,229</u>
Subtotal nonspendable	<u>78,392</u>	<u>-</u>	<u>-</u>	<u>36,229</u>	<u>114,621</u>
Restricted:					
Unspent categorical revenues	8,434,768	-	-	-	8,434,768
Special revenue	-	-	-	4,702,441	4,702,441
Capital projects	-	5,051,378	-	5,109,744	10,161,122
Debt service	<u>-</u>	<u>-</u>	<u>11,789,394</u>	<u>-</u>	<u>11,789,394</u>
Subtotal restricted	<u>8,434,768</u>	<u>5,051,378</u>	<u>11,789,394</u>	<u>9,812,185</u>	<u>35,087,725</u>
Assigned:					
Previously restricted funds	1,809,745	-	-	-	1,809,745
Mandated cost reimbursements	594,060	-	-	-	594,060
School site carryovers	2,179,319	-	-	-	2,179,319
Additional 2014/15 sweep	3,435,228	-	-	-	3,435,228
Categorical 2014/15 sweep	3,665,626	-	-	-	3,665,626
Set-aside for structural deficit	4,115,575	-	-	-	4,115,575
Projected local carryover	1,463,880	-	-	-	1,463,880
Local grant carryover	1,980,125	-	-	-	1,980,125
Other assignments	<u>505,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,000</u>
Subtotal assigned	<u>19,748,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,748,558</u>
Unassigned:					
Designated for economic uncertainty	4,365,000	-	-	-	4,365,000
Undesignated	<u>1,697,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,697,198</u>
Subtotal unassigned	<u>6,062,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,062,198</u>
Total fund balances	<u>\$ 34,323,916</u>	<u>\$ 5,051,378</u>	<u>\$ 11,789,394</u>	<u>\$ 9,848,414</u>	<u>\$ 61,013,102</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$2,596,139, \$2,662,515 and \$2,809,787, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$5,746,737, \$5,732,312 and \$5,653,642, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

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

Annual required contribution	\$ 1,584,946
Interest on net OPEB obligation	1,119,292
Adjustment to annual required contribution	<u>(5,061,442)</u>
Annual OPEB cost (expense)	(2,357,204)
Contributions made	<u>(695,151)</u>
Decrease in net OPEB obligation	(3,052,355)
Net OPEB obligation - beginning of year	<u>27,982,309</u>
Net OPEB obligation - end of year	<u>\$ 24,929,954</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2013 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (Expense)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 620,538	113%	\$ 26,602,679
June 30, 2012	\$ 2,030,908	32%	\$ 27,982,309
June 30, 2013	\$ (2,357,204)	25.7%	\$ 24,929,954

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

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

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

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AGREEMENTS

The District is a member with other school districts in three Joint Powers Authorities, Schools Excess Liability Fund (SELF), Schools Insurance Authority (SIA) (Deductible Fund, only) and School Project for Utility Rate Reduction (SPURR).

The following is a summary of condensed financial information of SELF and SIA as of June 30, 2013 and SPURR as of June 30, 2012 (the most recent information available):

	<u>SELF</u>	<u>SIA</u>	<u>SPURR</u>
Total assets	166,243,000	110,869,154	12,712,307
Total liabilities	129,963,000	48,458,959	6,292,890
Net position	36,280,000	62,410,195	6,419,417
Total revenue	11,589,000	41,915,136	33,252,050
Total expenses	14,165,000	42,863,046	33,030,650
Change in net position	(2,576,000)	(947,910)	221,400

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

10. CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2013

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 50,094,248	\$ 59,762,968	\$ 60,306,553	\$ 543,585
Local sources	<u>38,847,036</u>	<u>37,784,474</u>	<u>37,104,245</u>	<u>(680,229)</u>
Total revenue limit	<u>88,941,284</u>	<u>97,547,442</u>	<u>97,410,798</u>	<u>(136,644)</u>
Federal sources	7,443,465	8,118,275	7,282,703	(835,572)
Other state sources	27,484,680	29,594,108	29,403,316	(190,792)
Other local sources	<u>3,968,035</u>	<u>5,823,147</u>	<u>5,700,001</u>	<u>(123,146)</u>
Total revenues	<u>127,837,464</u>	<u>141,082,972</u>	<u>139,796,818</u>	<u>(1,286,154)</u>
Expenditures:				
Certificated salaries	70,341,200	69,868,554	69,465,659	402,895
Classified salaries	24,484,024	25,310,106	25,011,066	299,040
Employee benefits	23,748,951	23,276,145	23,022,996	253,149
Books and supplies	4,710,957	4,987,577	5,026,866	(39,289)
Contract services and operating expenditures	13,361,519	13,601,765	12,921,871	679,894
Capital outlay	81,265	209,019	388,950	(179,931)
Other outgo	348,213	206,409	206,409	-
Debt service:				
Principal retirement	304,428	309,267	309,267	-
Interest	<u>102,405</u>	<u>102,405</u>	<u>102,405</u>	<u>-</u>
Total expenditures	<u>137,482,962</u>	<u>137,871,247</u>	<u>136,455,489</u>	<u>1,415,758</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(9,645,498)</u>	<u>3,211,725</u>	<u>3,341,329</u>	<u>129,604</u>
Other financing sources (uses):				
Operating transfers in	468,713	493,153	379,655	(113,498)
Operating transfers out	(1,561,795)	(1,986,772)	(1,986,772)	-
Proceeds from issuance of capital lease	<u>-</u>	<u>-</u>	<u>204,941</u>	<u>204,941</u>
Total other financing sources (uses)	<u>(1,093,082)</u>	<u>(1,493,619)</u>	<u>(1,402,176)</u>	<u>91,443</u>
Net change in fund balance	(10,738,580)	1,718,106	1,939,153	221,047
Fund balance, July 1, 2012	<u>32,384,763</u>	<u>32,384,763</u>	<u>32,384,763</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 21,646,183</u>	<u>\$ 34,102,869</u>	<u>\$ 34,323,916</u>	<u>\$ 221,047</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, 2013

Schedule of Funding Progress							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2009	March 1, 2009	\$ -	\$ 23,379,435	\$ 23,379,435	0%	\$105.8 million	22%
6/30/2010	March 1, 2009	\$ -	\$ 23,379,435	\$ 23,379,435	0%	\$105.8 million	22%
6/30/2011	July 1, 2010	\$ -	\$ 24,280,260	\$ 24,280,260	0%	\$102.4 million	24%
6/30/2012	July 1, 2010	\$ -	\$ 24,280,260	\$ 24,280,260	0%	\$102.4 million	24%
6/30/2013	July 1, 2012	\$ -	\$ 23,115,538	\$ 23,115,538	0%	\$99.8 million	23%

See accompanying notes to required supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

Excess of expenditures over appropriations for the year ended June 30, 2013 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Books and supplies	\$ 39,289

B - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2013

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
ASSETS									
Cash in County Treasury	\$ 129,403	\$ 913,511	\$ 65,812	\$ 1,810,521	\$ 1,081,126	\$ 4,408,098	\$ 598,417	\$ 1	\$ 9,006,889
Cash on hand and in banks	-	10,279	388	6,071	-	4,374	166,542	-	187,654
Cash in revolving fund	10,000	-	-	-	-	-	-	-	10,000
Cash with Fiscal Agent	-	-	-	-	-	7,347	9,128	-	16,475
Receivables	112,669	32,493	5,657	488,124	1,962	9,888	70,935	-	721,728
Due from other funds	20,244	72,348	1,535	-	408,837	41,301	59,372	-	603,637
Stores inventory	-	-	-	26,229	-	-	-	-	26,229
Total assets	<u>\$ 272,316</u>	<u>\$ 1,028,631</u>	<u>\$ 73,392</u>	<u>\$ 2,330,945</u>	<u>\$ 1,491,925</u>	<u>\$ 4,471,008</u>	<u>\$ 904,394</u>	<u>\$ 1</u>	<u>\$ 10,572,612</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ 29,896	\$ 3,108	\$ 68,828	\$ 13,501	\$ 130,723	\$ 50,735	\$ -	\$ 296,791
Due to other funds	<u>139,812</u>	<u>482</u>	<u>14,234</u>	<u>188,678</u>	<u>-</u>	<u>84,200</u>	<u>-</u>	<u>1</u>	<u>427,407</u>
Total liabilities	<u>139,812</u>	<u>30,378</u>	<u>17,342</u>	<u>257,506</u>	<u>13,501</u>	<u>214,923</u>	<u>50,735</u>	<u>1</u>	<u>724,198</u>
Fund balances:									
Nonspendable	10,000	-	-	26,229	-	-	-	-	36,229
Restricted	<u>122,504</u>	<u>998,253</u>	<u>56,050</u>	<u>2,047,210</u>	<u>1,478,424</u>	<u>4,256,085</u>	<u>853,659</u>	<u>-</u>	<u>9,812,185</u>
Total fund balances	<u>132,504</u>	<u>998,253</u>	<u>56,050</u>	<u>2,073,439</u>	<u>1,478,424</u>	<u>4,256,085</u>	<u>853,659</u>	<u>-</u>	<u>9,848,414</u>
Total liabilities and fund balances	<u>\$ 272,316</u>	<u>\$ 1,028,631</u>	<u>\$ 73,392</u>	<u>\$ 2,330,945</u>	<u>\$ 1,491,925</u>	<u>\$ 4,471,008</u>	<u>\$ 904,394</u>	<u>\$ 1</u>	<u>\$ 10,572,612</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, 2013

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
Revenues:									
Revenue limit sources:									
State apportionment	\$ 372,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 372,095
Local sources	<u>252,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,876</u>
Total revenue limit	<u>624,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,971</u>
Federal sources	-	157,050	51,954	3,415,613	-	-	-	-	3,624,617
Other state sources	77,215	-	744,875	278,477	-	-	-	-	1,100,567
Other local sources	<u>3,172</u>	<u>407,427</u>	<u>40,488</u>	<u>1,569,997</u>	<u>4,008</u>	<u>315,640</u>	<u>4,585,263</u>	<u>-</u>	<u>6,925,995</u>
Total revenues	<u>705,358</u>	<u>564,477</u>	<u>837,317</u>	<u>5,264,087</u>	<u>4,008</u>	<u>315,640</u>	<u>4,585,263</u>	<u>-</u>	<u>12,276,150</u>
Expenditures:									
Certificated salaries	375,055	525,648	11,655	-	-	-	-	-	912,358
Classified salaries	33,859	139,732	517,934	1,867,860	100,181	-	488,173	-	3,147,739
Employee benefits	65,673	142,471	177,718	658,082	25,774	-	163,238	-	1,232,956
Books and supplies	68,660	34,563	53,505	2,470,760	58,566	4,981	2,899	-	2,693,934
Contract services and operating expenditures	167,970	57,484	29,039	221,559	204,808	34,269	81,947	-	797,076
Capital outlay	-	-	6,323	-	569,910	2,978,381	285,497	-	3,840,111
Debt service:									
Principal retirement	-	-	986	2,008	-	-	2,497,006	-	2,500,000
Interest	<u>-</u>	<u>-</u>	<u>797</u>	<u>1,623</u>	<u>-</u>	<u>-</u>	<u>1,059,423</u>	<u>-</u>	<u>1,061,843</u>
Total expenditures	<u>711,217</u>	<u>899,898</u>	<u>797,957</u>	<u>5,221,892</u>	<u>959,239</u>	<u>3,017,631</u>	<u>4,578,183</u>	<u>-</u>	<u>16,186,017</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,859)</u>	<u>(335,421)</u>	<u>39,360</u>	<u>42,195</u>	<u>(955,231)</u>	<u>(2,701,991)</u>	<u>7,080</u>	<u>-</u>	<u>(3,909,867)</u>
Other financing sources (uses):									
Operating transfers in	22,244	463,962	-	-	1,300,566	10,000	263,152	-	2,059,924
Operating transfers out	<u>-</u>	<u>-</u>	<u>(40,915)</u>	<u>(445,446)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(496,361)</u>
Total other financing sources (uses)	<u>22,244</u>	<u>463,962</u>	<u>(40,915)</u>	<u>(445,446)</u>	<u>1,290,566</u>	<u>10,000</u>	<u>263,152</u>	<u>-</u>	<u>1,563,563</u>
Net change in fund balances	16,385	128,541	(1,555)	(403,251)	335,335	(2,691,991)	270,232	-	(2,346,304)
Fund balances, July 1, 2012	<u>116,119</u>	<u>869,712</u>	<u>57,605</u>	<u>2,476,690</u>	<u>1,143,089</u>	<u>6,948,076</u>	<u>583,427</u>	<u>-</u>	<u>12,194,718</u>
Fund balances, June 30, 2013	<u>\$ 132,504</u>	<u>\$ 998,253</u>	<u>\$ 56,050</u>	<u>\$ 2,073,439</u>	<u>\$ 1,478,424</u>	<u>\$ 4,256,085</u>	<u>\$ 853,659</u>	<u>\$ -</u>	<u>\$ 9,848,414</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES**

ALL AGENCY FUNDS

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Deferred Compensation</u>				
Assets:				
Cash on hand and in banks	\$ -	\$ -	\$ -	\$ -
Deferred compensation	<u>849,123</u>	<u>37,708</u>	<u>28,135</u>	<u>858,696</u>
Total assets	<u>\$ 849,123</u>	<u>\$ 37,708</u>	<u>\$ 28,135</u>	<u>\$ 858,696</u>
Liabilities:				
Deferred compensation	\$ 849,123	\$ 37,708	\$ 28,135	\$ 858,696
Due to student groups	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 849,123</u>	<u>\$ 37,708</u>	<u>\$ 28,135</u>	<u>\$ 858,696</u>
<u>Student Body</u>				
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 625,074	\$ 1,767,908	\$ 1,806,305	\$ 586,677
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 625,074</u>	<u>\$ 1,767,908</u>	<u>\$ 1,806,305</u>	<u>\$ 586,677</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>625,074</u>	<u>1,767,908</u>	<u>1,806,305</u>	<u>586,677</u>
Total liabilities	<u>\$ 625,074</u>	<u>\$ 1,767,908</u>	<u>\$ 1,806,305</u>	<u>\$ 586,677</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 225,127	\$ 393,915	\$ 399,540	\$ 219,502
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 225,127</u>	<u>\$ 393,915</u>	<u>\$ 399,540</u>	<u>\$ 219,502</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>225,127</u>	<u>393,915</u>	<u>399,540</u>	<u>219,502</u>
Total liabilities	<u>\$ 225,127</u>	<u>\$ 393,915</u>	<u>\$ 399,540</u>	<u>\$ 219,502</u>

(Continued)

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

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Student Body</u> (Continued)				
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 228,550	\$ 649,120	\$ 683,594	\$ 194,076
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 228,550</u>	<u>\$ 649,120</u>	<u>\$ 683,594</u>	<u>\$ 194,076</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>228,550</u>	<u>649,120</u>	<u>683,594</u>	<u>194,076</u>
Total liabilities	<u>\$ 228,550</u>	<u>\$ 649,120</u>	<u>\$ 683,594</u>	<u>\$ 194,076</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,078,751	\$ 2,810,943	\$ 2,889,439	\$ 1,000,255
Deferred compensation	<u>849,123</u>	<u>37,708</u>	<u>28,135</u>	<u>858,696</u>
Total assets	<u>\$ 1,927,874</u>	<u>\$ 2,848,651</u>	<u>\$ 2,917,574</u>	<u>\$ 1,858,951</u>
Liabilities:				
Deferred compensation	\$ 849,123	\$ 37,708	\$ 28,135	\$ 858,696
Due to student groups	<u>1,078,751</u>	<u>2,810,943</u>	<u>2,889,439</u>	<u>1,000,255</u>
Total liabilities	<u>\$ 1,927,874</u>	<u>\$ 2,848,651</u>	<u>\$ 2,917,574</u>	<u>\$ 1,858,951</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2013

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>
Edward Short	President	2014
Zak Ford	Vice President	2014
JoAnne Reinking	Clerk	2016
Richard Shaw	Member	2014
Teresa Stanley	Member	2016

ADMINISTRATION

Deborah Bettencourt
Superintendent

Rhonda Crawford
Chief Financial Officer/CBO

Curtis Wilson
Assistant Superintendent, Elementary Instruction

Janie DeArcos
Assistant Superintendent, Secondary Instruction

Karen Knight
Assistant Superintendent, Human Resources

Salli Welsh
Assistant Superintendent, SELPA Director

Kristi Blandford
Director of Fiscal Services

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2013

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Traditional Schools</u>		
Elementary:		
Kindergarten	1,388	1,400
First through Third	4,266	4,273
Fourth through Eighth	6,874	6,859
Special Education	389	389
Community Day School	14	18
Home and Hospital	<u>6</u>	<u>16</u>
Subtotal Elementary	<u>12,937</u>	<u>12,955</u>
Secondary:		
Regular Classes	4,931	4,898
Special Education	181	179
Continuation Education	227	208
Home and Hospital	8	10
Community Day School	<u>21</u>	<u>21</u>
Subtotal Secondary	<u>5,368</u>	<u>5,316</u>
District Total	<u><u>18,305</u></u>	<u><u>18,271</u></u>
<u>Folsom Community Charter School - Non-Classroom Based:</u>		
Kindergarten	6	7
First through Third	30	31
Fourth through Sixth	52	52
Seventh through Eighth	26	25
Special Education	<u>6</u>	<u>6</u>
	<u><u>120</u></u>	<u><u>121</u></u>

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2013

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>							
Kindergarten	36,000	35,000	31,680	30,800	36,381	180	In Compliance
Grade 1	50,400	49,000	42,240	41,067	54,480	180	In Compliance
Grade 2	50,400	49,000	42,240	41,067	54,480	180	In Compliance
Grade 3	50,400	49,000	42,240	41,067	54,480	180	In Compliance
Grade 4	54,000	52,500	52,800	51,333	54,480	180	In Compliance
Grade 5	54,000	52,500	52,800	51,333	54,480	180	In Compliance
Grade 6	54,000	52,500	52,800	51,333	54,480	180	In Compliance
Grade 7	54,000	52,500	52,800	51,333	62,130	180	In Compliance
Grade 8	54,000	52,500	52,800	51,333	62,130	180	In Compliance
Grade 9	64,800	63,000	52,800	51,333	65,625	180	In Compliance
Grade 10	64,800	63,000	52,800	51,333	65,625	180	In Compliance
Grade 11	64,800	63,000	52,800	51,333	65,625	180	In Compliance
Grade 12	64,800	63,000	52,800	51,333	65,625	180	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, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	\$ 2,904,767
84.392	Special Education: ARRA IDEA Part B, Sec 619 Preschool Grants	13430	98,976
84.391	Special Education: ARRA IDEA Part B, Sec 611 Private School ISPs	10115	33,291
84.173	Special Education: IDEA Preschool Local Entitlement, Part B, Section 619	13431	3,202
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	13682	166,933
84.027A	Special Education: IDEA Mental Health Services, Part B, Sec 611	14468	<u>273,045</u>
	Subtotal Special Education Cluster		<u>3,480,214</u>
	Adult Education Program:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	79,107
84.002	Adult Education: Adult Secondary Education	13978	43,172
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	<u>34,771</u>
	Subtotal Adult Education Program		<u>157,050</u>
	NCLB (ESEA): Title III Program:		
84.365	NCLB (ESEA): Title III, Immigrant Education Program	15146	6,766
84.365	NCLB (ESEA): Title III, Limited English Proficient (LEP) Student Program	14346	<u>157,630</u>
	Subtotal NCLB (ESEA): Title III Program		<u>164,396</u>
	Title II, Part A Program:		
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	535,048
84.367	NCLB: Title II, Part A, Administrator Training	14344	<u>15,000</u>
	Subtotal Title II, Part A Program		<u>550,048</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u> (Continued)			
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 2,389,573
84.048	Carl D.Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	116,543
84.181	Special Education: IDEA Early Intervention Grants, Part C	23761	91,745
84.323	Special Education: State Improvement Grant, Improving Special Ed Systems	14920	10,374
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT) Formula Grants	15019	6,000
84.377	NCLB: Title I, Part A, Program Improvement LEA Corrective Action, Extensive Plan	14955	6,363
84.410	Education Jobs Fund (SB 847)	25152	<u>60,632</u>
Total U.S. Department of Education			<u>7,032,938</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.576	Refugee Children Supplemental Assistance Program	24791	48,225
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option	10013	<u>42,772</u>
Total U.S. Department of Health and Human Services			<u>90,997</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	51,954
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	<u>3,415,613</u>
Total U.S. Department of Agriculture			<u>3,467,567</u>
Total Federal Programs			<u>\$ 10,591,502</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, 2013

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

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2013

(Unaudited)

	(Budgeted) <u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$142,262,281</u>	<u>\$140,381,414</u>	<u>\$141,898,342</u>	<u>\$142,834,614</u>
Expenditures	140,445,070	136,455,489	134,290,010	132,513,355
Other uses and transfers out	<u>1,810,192</u>	<u>1,986,772</u>	<u>2,061,795</u>	<u>2,036,620</u>
Total outgo	<u>142,255,262</u>	<u>138,442,261</u>	<u>136,351,805</u>	<u>134,549,975</u>
Changes in fund balance	<u>\$ 7,019</u>	<u>\$ 1,939,153</u>	<u>\$ 5,546,537</u>	<u>\$ 8,284,639</u>
Ending fund balance	<u>\$ 34,330,935</u>	<u>\$ 34,323,916</u>	<u>\$ 32,384,763</u>	<u>\$ 26,838,226</u>
Available reserves	<u>\$ 7,692,356</u>	<u>\$ 6,062,198</u>	<u>\$ 6,358,062</u>	<u>\$ 4,869,836</u>
Designated for economic uncertainties	<u>\$ 4,770,000</u>	<u>\$ 4,365,000</u>	<u>\$ 4,365,000</u>	<u>\$ 4,365,000</u>
Undesignated fund balance	<u>\$ 2,922,356</u>	<u>\$ 1,697,198</u>	<u>\$ 1,993,062</u>	<u>\$ 504,836</u>
Available reserves as percentages of total outgo	<u>5.4%</u>	<u>4.4%</u>	<u>4.7%</u>	<u>3.6%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$245,699,377</u>	<u>\$255,836,681</u>	<u>\$262,953,207</u>	<u>\$265,494,057</u>
Average daily attendance at P-2	<u>18,305</u>	<u>18,305</u>	<u>18,312</u>	<u>17,934</u>

The General Fund fund balance has increased by \$15,770,329 over the past three years. The fiscal year 2013-2014 budget projects an increase of \$7,019. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating surplus during the fiscal year 2013-2014.

Total long-term liabilities have decreased by \$9,657,376 over the past two years, primarily due to debt payments on General Obligation bonds during the fiscal year.

Average daily attendance has increased by 371 over the past two years. No change in ADA is projected for the 2013-2014 fiscal year.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2013

Charter Schools Chartered by District

Folsom Community Charter School

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

Included in District Financial
Statements as Charter School
Fund.

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
For the Year Ended June 30, 2013

	Academic and Support <u>Services</u>
Revenues:	
Other local sources	\$ <u>462,623</u>
Expenditures:	
Certificated salaries	64,924
Classified salaries	232,690
Employee benefits	68,574
Books and supplies	19,406
Contract services and operating expenditures	54,406
Indirect costs	<u>22,623</u>
	<u>462,623</u>
Net income	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is prepared on the modified accrual basis of accounting. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2013.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 10,907,320
Less: Medi-Cal Billing Funds not spent	93.778	<u>(315,818)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 10,591,502</u>

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

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2013-2014 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenditures

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2013, the District did not adopt such a program.

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

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on Compliance with State Laws and Regulations

We have audited Folsom Cordova Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2013.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below

We did not perform any procedures related to Instructional Time for County Offices of Education and Juvenile Court Schools because the District is not a County Office of Education.

We did not perform any procedures related to the Early Retirement Incentive Program because the District does not offer this program.

We did not perform any procedures related to Class Size Reduction Program - Option Two classes and Districts with only one school serving grades K through 3 because the District does not offer Option Two, and the District has more than one school serving K-3.

We did not perform any procedures related to After School Education and Safety Before School Program because the District does not offer the program.

We did not perform any procedures related to Mode of Instruction or Annual Instructional Minutes for Charter Schools because the District does not have any classroom-based Charter School ADA.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

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

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

Opinion with State Laws and Regulations

In our opinion, Folsom Cordova Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Folsom Cordova Unified School District had not complied with the state laws and regulations.

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 12, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise Folsom Cordova Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2013.

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.

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

Sacramento, California
December 12, 2013

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

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on Compliance for Each Major Federal Program

We have audited Folsom Cordova Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Folsom Cordova Unified School District's major federal programs for the year ended June 30, 2013. Folsom Cordova Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Folsom Cordova Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 12, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND 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, 2013.

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, 2013.

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 requirements that could have a direct and material effect on its First 5 Sacramento County Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program, 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 the First 5 Sacramento County 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 the First 5 Sacramento County 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 the First 5 Sacramento County Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the First 5 Sacramento County Program. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2013

FINDINGS AND RECOMMENDATIONS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013
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	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

	_____ Yes	<u> X </u> No
--	-----------	-----------------

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

	_____ Yes	<u> X </u> No
--	-----------	-----------------

Identification of major programs:

_____ CFDA Number(s)	_____ Name of Federal Program or Cluster
84.367	NCLB: Title II, Part A, Improving Teacher Quality
10.555	Child Nutrition: School Programs (NSL Sec 4)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 317,745

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

STATE AWARDS

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

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

Year Ended June 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2012-01 At Mills Middle School we noted inventory counts performed by the office clerk were not verified by a second party. On a monthly basis, the office clerk and another employee from the school site should perform an inventory count over the student store inventory to ensure these amounts are accurate.	Implemented.	