

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
Folsom, California

**FINANCIAL STATEMENTS**  
June 30, 2012

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2012**

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WITH SUPPLEMENTARY INFORMATION**

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## REPORT OF INDEPENDENT AUDITORS

Board of Education  
Folsom Cordova Unified School District  
Folsom, California

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, 2012, which collectively comprise Folsom Cordova Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of Folsom Cordova Unified School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 10 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress on pages 44 - 45 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government 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.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Folsom Cordova Unified School District's basic 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 other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, have 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 accompanying schedule of expenditures of federal awards and the other supplemental information listed in the table of contents, except 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 auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Sacramento, California  
December 10, 2012

## 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 Assets and the Statement of Activities, which begin on page 9. 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 11.

### Overview of the Financial Statements

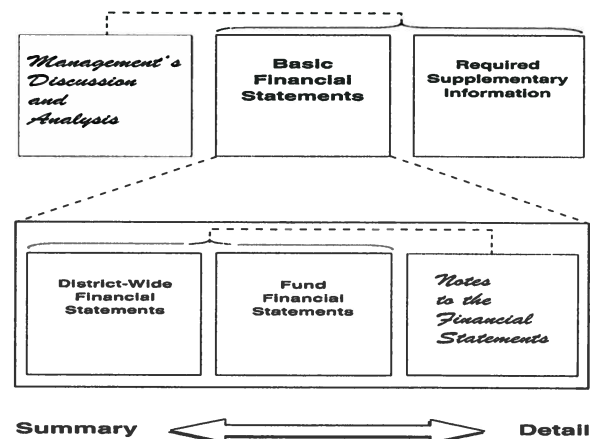
This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

- Over time, increases or decreases in the District's net assets 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.

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



- *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 assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

#### Statement of Net Assets

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>2011</u>	<u>2012</u>	<u>2011-2012</u>
Current and other assets	\$88,756,635	65,098,410	
Capital assets	<u>442,238,999</u>	<u>453,872,778</u>	
<b>Total assets</b>	530,995,634	518,971,188	-2.3%
Long-term debt outstanding	265,966,468	262,953,207	
Other liabilities	<u>11,349,066</u>	<u>6,223,564</u>	
<b>Total liabilities</b>	277,315,534	269,176,771	-2.9%
Invested in capital assets, net of related debt	217,785,397	225,949,252	
Restricted	43,460,743	27,965,667	
Unrestricted	<u>-7,566,040</u>	<u>-4,120,502</u>	
<b>Total net assets</b>	253,680,100	249,794,417	-1.5%

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>2011</u>	<u>2012</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services		\$ 1,821,356	\$ 1,823,422
Operating Grants		29,830,782	32,010,636
Capital Grants and Contributions		620,981	0
General Revenues			
Property Taxes		51,274,455	50,971,210
Federal and State Aid		73,262,544	71,800,896
Other		<u>10,097,846</u>	<u>7,334,373</u>
Total Revenues		<u>\$166,907,964</u>	<u>\$163,940,537</u>
<b>Program Expenses</b>			
Instruction		102,582,623	98,986,306
Instruction Related Services		15,041,416	16,298,074
Pupil Services		15,577,519	15,176,619
Ancillary Services		2,263,599	2,590,882
Community Services		14,316	3,143
General Administration		7,742,012	8,635,697
Plant Services		13,266,497	13,626,368
Interest		12,879,187	12,191,093
Other		<u>222,258</u>	<u>318,038</u>
Total Expenses		<u>168,755,214</u>	<u>167,826,220</u>
Decrease in Net Assets		(1,847,250)	(3,885,683)
Net Assets – Beginning		<u>255,527,350</u>	<u>253,680,100</u>
Net Assets – Ending		<u>\$ 253,680,100</u>	<u>\$ 249,794,417</u>

**Financial Condition of General Fund**

Folsom Cordova Unified School District is striving to maintain its solid financial condition. Ending fund balance decreased due to the loss of one-time federal and state stimulus revenue received in 2010-11. The following table summarizes operational fund financial statements:

	General Fund		Percentage Change <u>2011-2012</u>
	<u>2011</u>	<u>2012</u>	
Total Revenues	\$ 141,845,969	\$ 141,509,252	
Expenses	132,513,355	134,290,010	
Other financing sources	-1,047,975	-1,672,705	
Excess of revenues over expenses	\$ 8,284,639	\$ 5,546,537	-33.1%

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 \$24,442,581 in modernization and new construction from the following combined sources for 2011-12. This represents a -40.8% decrease from last year's amount of \$41,310,741.

	All Funds		Percentage Change <u>2011-2012</u>
	<u>2011</u>	<u>2012</u>	
Land	\$ 48,216,097	\$ 49,116,097	
Improvement of sites	25,006,531	25,560,285	
Buildings	374,217,683	424,297,733	
Equipment	24,334,968	26,891,821	
Work-in-process	<u>107,948,571</u>	<u>78,300,495</u>	
Total	\$ 579,723,850	\$ 604,166,431	4.2%

**District Indebtedness**

At year-end, the District has incurred \$262,953,207 of long-term debt. Of that, \$205,060,450 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>2011-2012</u>
	<u>2011</u>	<u>2012</u>	
Compensated absences	\$ 833,216	\$ 886,831	
Certificates of participation	29,092,349	26,602,349	
General obligation bonds	206,252,470	205,060,450	
Capital lease	2,713,343	2,421,268	
Post-employment medical benefits	<u>26,602,679</u>	<u>27,055,802</u>	
Total	\$ 265,494,057	\$ 262,953,207	-1.0%

**Cost of Governmental Services**

At year-end, the District's General Fund cost of operation was \$134,044,659. Total district expenditures were \$648,272 less than the previous year due to an intensive effort to reduce spending district wide.

	General Fund		Percentage Change <u>2011-2012</u>
	<u>2011</u>	<u>2012</u>	
Instruction	\$ 99,992,073	\$ 99,977,671	
Pupil services	12,617,194	11,010,436	
Ancillary services	2,259,292	2,585,865	
Community services	0	28	
General Administration	6,497,142	6,871,419	
Enterprise	-17,579	-13,595	
Plant Services	12,738,004	12,906,350	
Other Outgo	<u>606,806</u>	<u>706,487</u>	
Total	\$ 134,692,931	\$ 134,044,659	-0.5 %

**Budget to Actual Analysis**

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

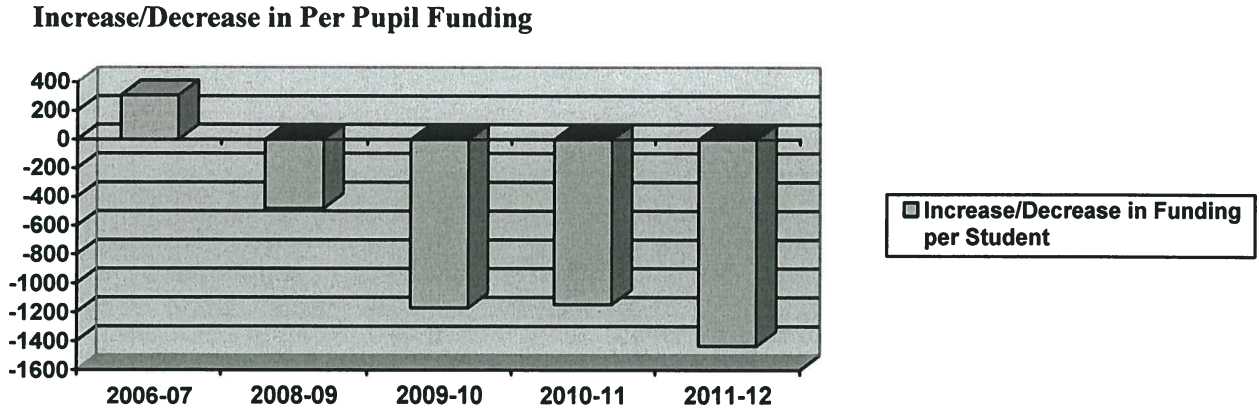
	Estimated June <u>2012</u>	Actual <u>2012</u>	Percentage <u>Variance</u>
<b>Revenues</b>			
Revenue Limit	95,974,109	95,945,456	
Federal Revenues	12,166,775	11,038,361	
State Revenues	29,399,393	29,261,962	
Local Revenues	<u>5,543,910</u>	<u>5,263,473</u>	
Total Revenues	143,084,187	141,509,252	-1.1%
<b>Expenditures</b>			
Salaries & Benefits	116,302,459	115,778,048	
Books & Supplies	5,326,699	4,997,932	
Services & Other Operating	11,084,760	11,937,682	
Capital Outlay/Other Outgo	<u>1,605,422</u>	<u>1,576,348</u>	
Total Expenditures	134,594,340	134,290,010	-0.2%

Total budgeted revenues were \$1,574,935 lower than actual revenues received. Total expenditures were \$304,330 less than budgeted due to close management of expenditures by the District.

## Financial Issues

### Per Pupil Funding

The state of California has been experiencing a severe economic downturn causing concern for future funding sources. State school funding decreased significantly as state revenues continued to weaken. The table below shows a five year trend in state school funding.



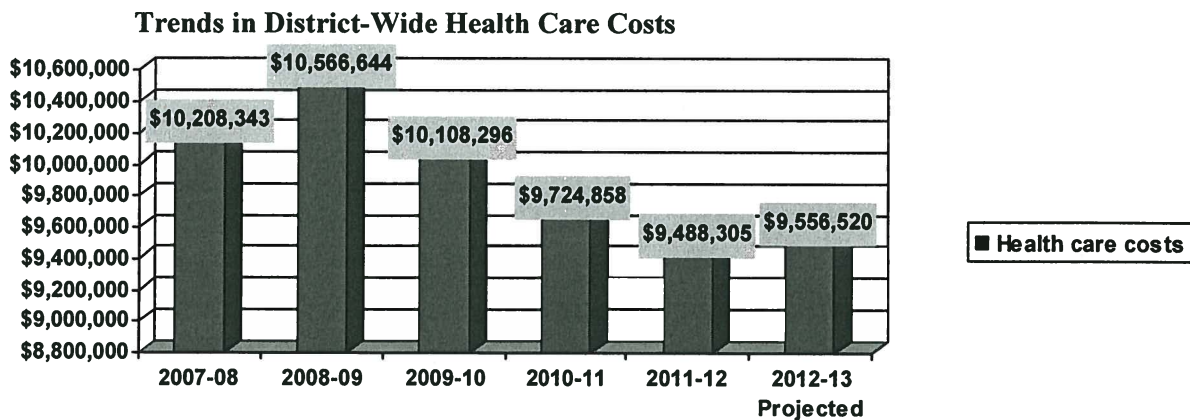
### State Budget Shortfall

The state borrowed significant funds to continue reduced spending levels. The state deferred paying for certain school programs until after July 1, 2012.

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	\$ .06 million
P-2 Apportionments (including Revenue limit, hourly programs, Class Size Reduction, Community Day School and Special Education)		\$28.08 million
Total Amount of Apportionments Delayed Until 2012-13		\$28.25 million

### Health Care Cost Trends

District-Wide Health Care costs in the past had a 5% average annual increase due to increased costs for medical premiums, and additional positions for growth and special education 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:



### 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. The state has now given broad categorical flexibility in many categorical programs to help schools manage cuts as a result of the economic downturn.

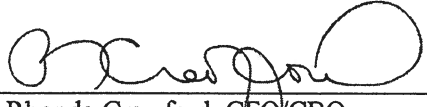
As state revenue growth declines, health care costs rise and ongoing expenditures take a larger share of state revenue, district management must vigorously pursue three major courses of action:

1. Control health care costs.
2. Develop a balanced approach to plan for the long term rather than the short term. Look for ways to generate and maximize revenue as well as reduce expenditures.
3. Continue to work with the Education Coalition to increase funding to School Districts to at least the national average.

### **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) 294-9004, ext. 104200



## **BASIC FINANCIAL STATEMENTS**

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2012**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activites</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 31,499,276	\$ 499,416	\$ 31,998,692
Receivables	33,550,723	232	33,550,955
Due (to) from other funds (Note 3)	13,574	(13,574)	-
Prepaid expenditures	3,392	2,177	5,569
Stores inventory	31,445	-	31,445
Non-depreciable capital assets (Note 4)	127,416,592	-	127,416,592
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>326,456,186</u>	<u>-</u>	<u>326,456,186</u>
Total assets	<u>518,971,188</u>	<u>488,251</u>	<u>519,459,439</u>
<b>LIABILITIES</b>			
Accounts payable	5,483,719	29,262	5,512,981
Deferred revenue	739,845	-	739,845
Long-term liabilities (Note 5):			
Due within one year	9,369,428	-	9,369,428
Due after one year	<u>253,583,779</u>	<u>-</u>	<u>253,583,779</u>
Total liabilities	<u>269,176,771</u>	<u>29,262</u>	<u>269,206,033</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	225,949,252	-	225,949,252
Restricted (Note 6)	27,965,667	458,989	28,424,656
Unrestricted	<u>(4,120,502)</u>	<u>-</u>	<u>(4,120,502)</u>
Total net assets	<u>\$ 249,794,417</u>	<u>\$ 458,989</u>	<u>\$ 250,253,406</u>

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities (Note 4):						
Instruction	\$ 98,986,306	\$ 6,824	\$ 17,590,446	\$ -	\$ (81,389,036)	\$ (81,389,036)
Instruction-related services:						
Supervision of instruction	4,971,925	924	1,893,199	-	(3,077,802)	(3,077,802)
Instructional library, media and technology	462,306	194	1,435	-	(460,677)	(460,677)
School site administration	10,863,843	32	474,887	-	(10,388,924)	(10,388,924)
Pupil services:						
Home-to-school transportation	3,973,424	174,259	2,149,464	-	(1,649,701)	(1,649,701)
Food services	4,733,310	1,402,586	3,189,262	-	(141,462)	(141,462)
All other pupil services	6,469,885	1,714	3,047,706	-	(3,420,465)	(3,420,465)
General administration:						
Data processing	2,098,508	-	-	-	(2,098,508)	(2,098,508)
All other general administration	6,537,189	71,080	1,550,986	-	(4,915,123)	(4,915,123)
Plant services	13,626,368	61,906	234,082	-	(13,330,380)	(13,330,380)
Ancillary services	2,590,882	2,833	697,413	-	(1,890,636)	(1,890,636)
Community services	3,143	1	4	-	(3,138)	(3,138)
Enterprise activities	16,363	-	-	-	(16,363)	(16,363)
Interest on long-term liabilities	12,191,093	-	-	-	(12,191,093)	(12,191,093)
Other outgo	299,654	101,069	1,181,752	-	983,167	983,167
Depreciation (unallocated)	2,021	-	-	-	(2,021)	(2,021)
Business-type activities:						
Enterprise activities	2,193,415	2,642,601	-	-	-	449,186
Total governmental and business-type activities	\$ 170,019,635	\$ 7,108,624	\$ 32,010,636	\$ -	(133,992,162)	(133,542,976)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes					38,377,013	38,377,013
Taxes levied for debt service					12,271,344	12,271,344
Taxes levied for other specific purposes					322,853	322,853
Federal and state aid not restricted to specific purposes					71,800,896	71,800,896
Interest and investment earnings					118,167	118,167
Interagency revenues					316,369	316,369
Miscellaneous					6,591,794	6,593,541
Internal transfers					308,043	-
Total general revenues					130,106,479	129,800,859
Change in net assets					(3,885,683)	(3,742,117)
Net assets, July 1, 2011,					253,680,100	253,995,523
Net assets, June 30, 2012					\$ 249,794,417	\$ 250,253,406

See accompanying notes to financial statements.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**June 30, 2012**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 2,355,450	\$ 3,048,421	\$ 10,341,425	\$ 9,114,319	\$ 24,859,615
Cash on hand and in banks	324,427	-	-	69,693	394,120
Cash in revolving fund	75,000	-	-	10,000	85,000
Cash with Fiscal Agent	-	5,579,415	571,998	9,128	6,160,541
Receivables	32,851,216	5,364	52,101	642,042	33,550,723
Due from other funds	371,517	23,083	-	586,680	981,280
Prepaid expenditures	3,392	-	-	-	3,392
Stores inventory	-	-	-	31,445	31,445
	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,445</u>	<u>31,445</u>
<b>Total assets</b>	<b><u>\$ 35,981,002</u></b>	<b><u>\$ 8,656,283</u></b>	<b><u>\$ 10,965,524</u></b>	<b><u>\$ 10,463,307</u></b>	<b><u>\$ 66,066,116</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,638,722	\$ 1,708,207	\$ 6,949	\$ 152,422	\$ 4,506,300
Deferred revenue	347,753	-	392,092	-	739,845
Due to other funds	609,764	-	-	357,942	967,706
	<u>3,596,239</u>	<u>1,708,207</u>	<u>399,041</u>	<u>510,364</u>	<u>6,213,851</u>
<b>Total liabilities</b>	<b><u>3,596,239</u></b>	<b><u>1,708,207</u></b>	<b><u>399,041</u></b>	<b><u>510,364</u></b>	<b><u>6,213,851</u></b>
Fund balances:					
Nonspendable	78,392	-	-	41,445	119,837
Restricted	6,658,706	6,948,076	10,566,483	9,911,498	34,084,763
Assigned	19,289,603	-	-	-	19,289,603
Unassigned	6,358,062	-	-	-	6,358,062
	<u>32,384,763</u>	<u>6,948,076</u>	<u>10,566,483</u>	<u>9,952,943</u>	<u>59,852,265</u>
<b>Total fund balances</b>	<b><u>32,384,763</u></b>	<b><u>6,948,076</u></b>	<b><u>10,566,483</u></b>	<b><u>9,952,943</u></b>	<b><u>59,852,265</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 35,981,002</u></b>	<b><u>\$ 8,656,283</u></b>	<b><u>\$ 10,965,524</u></b>	<b><u>\$ 10,463,307</u></b>	<b><u>\$ 66,066,116</u></b>

See accompanying notes to financial statements.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**

**June 30, 2012**

Total fund balances - Governmental Funds \$ 59,852,265

Amounts reported for governmental activities in the statement of net assets 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 \$604,166,431 and the accumulated depreciation is \$150,293,653 (Note 4). 453,872,778

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, 2012 consisted of (Note 5):

Certificates of Participation	\$ (26,602,349)	
General Obligation Bonds	(178,004,648)	
Accreted interest	(27,055,802)	
Capital lease	(2,421,268)	
Other postemployment benefits (Note 8)	(27,982,309)	
Compensated absences	<u>(886,831)</u>	
		(262,953,207)

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 assets. (977,419)

Total net assets - governmental activities \$ 249,794,417

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, 2012**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Revenue limit sources:					
State apportionment	\$ 57,808,895	\$ -	\$ -	\$ 415,342	\$ 58,224,237
Local sources	<u>38,136,561</u>	<u>-</u>	<u>-</u>	<u>243,842</u>	<u>38,380,403</u>
Total revenue limit	<u>95,945,456</u>	<u>-</u>	<u>-</u>	<u>659,184</u>	<u>96,604,640</u>
Federal sources	11,038,361	-	-	3,398,759	14,437,120
Other state sources	29,261,962	-	116,889	1,158,415	30,537,266
Other local sources	<u>5,263,473</u>	<u>65,776</u>	<u>12,955,222</u>	<u>3,768,996</u>	<u>22,053,467</u>
Total revenues	<u>141,509,252</u>	<u>65,776</u>	<u>13,072,111</u>	<u>8,985,354</u>	<u>163,632,493</u>
<b>Expenditures:</b>					
Certificated salaries	67,876,932	-	-	885,388	68,762,320
Classified salaries	24,425,740	6,231	-	3,032,503	27,464,474
Employee benefits	23,475,376	1,004	-	1,229,471	24,705,851
Books and supplies	4,997,932	16,471	-	2,223,424	7,237,827
Contract services and operating expenditures	11,937,682	91,434	-	1,066,876	13,095,992
Capital outlay	869,861	22,506,219	-	893,462	24,269,542
Other outgo	299,654	-	-	-	299,654
Debt service:					
Principal retirement	292,075	-	6,145,000	2,490,000	8,927,075
Interest	<u>114,758</u>	<u>-</u>	<u>6,013,653</u>	<u>1,153,791</u>	<u>7,282,202</u>
Total expenditures	<u>134,290,010</u>	<u>22,621,359</u>	<u>12,158,653</u>	<u>12,974,915</u>	<u>182,044,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,219,242</u>	<u>(22,555,583)</u>	<u>913,458</u>	<u>(3,989,561)</u>	<u>(18,412,444)</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	389,090	745,000	-	2,360,206	3,494,296
Operating transfers out	<u>(2,061,795)</u>	<u>-</u>	<u>-</u>	<u>(1,124,458)</u>	<u>(3,186,253)</u>
Total other financing sources (uses)	<u>(1,672,705)</u>	<u>745,000</u>	<u>-</u>	<u>1,235,748</u>	<u>308,043</u>
Net change in fund balances	5,546,537	(21,810,583)	913,458	(2,753,813)	(18,104,401)
Fund balances, July 1, 2011	<u>26,838,226</u>	<u>28,758,659</u>	<u>9,653,025</u>	<u>12,706,756</u>	<u>77,956,666</u>
Fund balances, June 30, 2012	<u>\$ 32,384,763</u>	<u>\$ 6,948,076</u>	<u>\$ 10,566,483</u>	<u>\$ 9,952,943</u>	<u>\$ 59,852,265</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, 2012**

Net change in fund balances - Total Governmental Funds \$ (18,104,401)

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 assets (Note 4).

\$ 24,442,581

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).

(12,808,802)

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 assets (Note 5).

8,927,075

Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).

(4,952,980)

Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net assets (Notes 5 and 8).

(1,379,630)

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 assets.

44,089

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).

(53,615) 14,218,718

Change in net assets of governmental activities \$ (3,885,683)

See accompanying notes to financial statements.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND**  
**STUDENT CARE CENTER FUND**  
**June 30, 2012**

**ASSETS**

Cash in County Treasury	\$ 414,795
Cash in banks	84,621
Receivables	232
Due from other funds	1,078
Prepaid expenditures	<u>2,177</u>
Total assets	<u>502,903</u>

**LIABILITIES**

Accounts payable	29,262
Due to other funds	<u>14,652</u>
Total liabilities	<u>43,914</u>

**NET ASSETS**

Net assets - restricted	<u><u>\$ 458,989</u></u>
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See accompanying notes to financial statements.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN**  
**FUND NET ASSETS - PROPRIETARY FUND**  
**STUDENT CARE CENTER FUND**  
**For the Year Ended June 30, 2012**

Operating revenues:	
Children Center fees	\$ 2,642,601
Other local revenues	<u>1,747</u>
Total operating revenues	<u>2,644,348</u>
Operating expenses:	
Certificated salaries	115,502
Classified salaries	1,328,348
Employee benefits	464,176
Books and supplies	133,325
Contract services and operating expenses	<u>152,064</u>
Total operating expenses	<u>2,193,415</u>
Operating income	450,933
Non-operating income:	
Interest income	676
Non-operating expense:	
Transfers to other funds	<u>(308,043)</u>
Change in net assets	143,566
Net assets, July 1, 2011	<u>315,423</u>
Net assets, June 30, 2012	<u><u>\$ 458,989</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, 2012**

Cash flows from operating activities:	
Cash received for children center fees	\$ 2,644,319
Cash paid for employee benefits and operating expenses	<u>(2,197,943)</u>
Net cash provided by operating activities	<u>446,376</u>
Cash flows used in financing activities:	
Transfer to other funds	(342,182)
Cash flows provided by investing activities:	
Interest income	<u>676</u>
Change in cash and investments	104,870
Cash and investments, July 1, 2011	<u>394,546</u>
Cash and investments, June 30, 2012	<u><u>\$ 499,416</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 450,933</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	(29)
Decrease in:	
Prepaid expenditures	1,072
Accounts payable	<u>(5,600)</u>
Total adjustments	<u>(4,557)</u>
Net cash provided by operating activities	<u><u>\$ 446,376</u></u>

See accompanying notes to financial statements.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

**TRUST AND AGENCY FUNDS**

**June 30, 2012**

	<u>Trust Fund</u>	<u>Agency Funds</u>		
	<u>Retiree Benefit</u>	<u>Deferred Compen- sation</u>	<u>Student Body</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments (Note 2):				
Cash in County Treasury	\$ 5,744,249	\$ -	\$ -	\$ 5,744,249
Cash on hand and in banks	-	-	1,078,751	1,078,751
Deferred compensation	-	849,123	-	849,123
Receivables	<u>6,229</u>	<u>-</u>	<u>-</u>	<u>6,229</u>
Total assets	<u>5,750,478</u>	<u>849,123</u>	<u>1,078,751</u>	<u>7,678,352</u>
<b>LIABILITIES</b>				
Accounts payable	8,913	-	-	8,913
Deferred compensation	-	849,123	-	849,123
Due to student groups	<u>-</u>	<u>-</u>	<u>1,078,751</u>	<u>1,078,751</u>
Total liabilities	<u>8,913</u>	<u>849,123</u>	<u>1,078,751</u>	<u>1,936,787</u>
<b>NET ASSETS</b>				
Net assets held in trust for retiree benefits - restricted (Note 6)	<u>\$ 5,741,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,741,565</u>

See accompanying notes to financial statements.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FIDUCIARY NET ASSETS**

**TRUST FUND**

**For the Year Ended June 30, 2012**

	<b><u>Retiree Benefit</u></b>
Revenues:	
Local sources	<b>\$ <u>808,583</u></b>
Expenditures:	
Contract services and operating expenditures	<b><u>651,278</u></b>
Change in net assets	<b>157,305</b>
Net assets held in trust for retiree benefits, July 1, 2011	<b><u>5,584,260</u></b>
Net assets held in trust for retiree benefits, June 30, 2012	<b><u><u>\$ 5,741,565</u></u></b>

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 Assets 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 Assets and the Statement of Revenues, Expenditures and Change in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets 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. The District's accounts are organized into three broad categories which, in aggregate, include seven fund types as follows:

#### A - Governmental Fund Types

##### 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 Revenue Funds:

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

##### 3 - Capital Projects Funds:

The 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 Special Reserve for Capital Projects Funds.

# FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation - Fund Accounting (Continued)

##### A - Governmental Fund Types (Continued)

###### 4 - Debt Service Fund:

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

##### B - Proprietary Fund

###### 1 - Student Care Center

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.

##### C - Fiduciary Fund Types

###### 1 - Trust Fund:

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

###### 2 - Agency Funds:

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 classification 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.

#### 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 \$1,940,073. 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.

#### Capital Assets

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

# **FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Compensated Absences**

Compensated absences totaling \$886,831 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.

#### **Deferred 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 deferred 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 Assets**

Restrictions of the ending net assets indicate the portions of net assets 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 assets 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 assets 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 assets available for the student center activities. The restriction for retiree benefits represents the portion of net assets available for retiree benefits. It is the District's policy to use restricted net assets 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 assets 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, 2012, 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, 2012, 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, 2012, 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.

### 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 consisted of the following:

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	Fiduciary <u>Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 24,859,615	\$ 414,795	\$ 5,744,249
Deposits:			
Cash on hand and in banks	394,120	84,621	1,078,751
Cash in revolving fund	85,000	-	-
Investments:			
Cash with Fiscal Agent	6,160,541	-	-
Deferred compensation	<u>-</u>	<u>-</u>	<u>849,123</u>
Total	<u>\$ 31,499,276</u>	<u>\$ 499,416</u>	<u>\$ 7,672,123</u>

#### Pooled Funds

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

# FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 2. CASH AND INVESTMENTS (Continued)

#### Pooled Funds (Continued)

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, 2012, 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. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$1,642,492, and the bank balances was \$1,574,611, all of which was insured.

#### Investments

Investments at June 30, 2012 consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash with Fiscal Agent	\$ 6,160,541	\$ 6,160,541
Deferred compensation	<u>849,123</u>	<u>849,123</u>
	<u>\$ 7,009,664</u>	<u>\$ 7,009,664</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, 2012, 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, 2012, 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, 2012 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 371,517	\$ 609,764
Building	23,083	-
Non-Major Governmental Funds:		
Charter School	256,639	427
Adult Education	15,000	336
Child Development	269	6,927
Cafeteria	6,596	38,340
Capital Facilities	-	310,617
Special Reserve for Capital Projects	308,176	1,295
Proprietary Fund:		
Student Care Center	1,078	14,652
Totals	<u>\$ 982,358</u>	<u>\$ 982,358</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 2011-2012 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of deferred maintenance funding.	\$ 1,052,169
Transfer from the Deferred Maintenance Fund to the Building Fund for the Cordova High kitchen renovation.	745,000
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for the cell tower repay.	700,000
Transfer from the General Fund to the Adult Education Fund for direct and indirect support costs.	309,626
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	209,265
Transfer from the Student Care Fund to the Capital Facilities Fund for the student care portable.	198,316
Transfer from the Student Care Fund to the General Fund for indirect costs.	109,727
Transfer from the Cafeteria Fund to the Capital Facilities Fund for the Williamson Kitchen Renovation.	100,095
Transfer from the Child Development Fund to the General Fund for indirect costs.	36,086
Transfer from the Charter School Fund to the General Fund for the Charter School summer project.	<u>34,012</u>
	<u><u>\$ 3,494,296</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, 2012 is shown below:

	Balance July 1, 2011	Additions	Deductions and Transfers	Balance June 30, 2012
Non-depreciable:				
Land	\$ 48,216,097	\$ 900,000	\$ -	\$ 49,116,097
Work-in-process	107,948,571	1,094,083	(30,742,159)	78,300,495
Depreciable:				
Improvement of sites	25,006,531	553,754	-	25,560,285
Buildings	374,217,683	50,080,050	-	424,297,733
Equipment	<u>24,334,968</u>	<u>2,556,853</u>	<u>-</u>	<u>26,891,821</u>
Totals, at cost	<u>579,723,850</u>	<u>55,184,740</u>	<u>(30,742,159)</u>	<u>604,166,431</u>
Less accumulated depreciation:				
Improvement of sites	(25,106,736)	(1,644,955)	-	(26,751,691)
Buildings	(104,037,013)	(10,831,979)	-	(114,868,992)
Equipment	<u>(8,341,102)</u>	<u>(331,868)</u>	<u>-</u>	<u>(8,672,970)</u>
Total accumulated depreciation	<u>(137,484,851)</u>	<u>(12,808,802)</u>	<u>-</u>	<u>(150,293,653)</u>
Governmental activities capital assets, net	<u>\$ 442,238,999</u>	<u>\$ 42,375,938</u>	<u>\$ (30,742,159)</u>	<u>\$ 453,872,778</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,896,995
Supervision of instruction	153,545
Instructional library, media and technology	12,952
School site administration	8,545
Home-to-school transportation	58,879
Food services	29,535
All other pupil services	35,104
Ancillary services	3,774
Enterprise activities	28,171
All other general administration	272,775
Centralized data processing	266,756
Plant services	39,750
Unallocated	<u>2,021</u>
Total depreciation expense	<u>\$ 12,808,802</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. Proceeds of \$5,229,096 from these Certificates of Participation were paid to an Escrow Agent to advance refund and defease the District's 1991 Certificates of Participation (with remaining obligation of \$3,180,000) and various capitalized lease obligations (with remaining balances of \$1,761,109). With the payment to the Escrow Agent, the 1991 Certificates of Participation and the capitalized lease obligations are considered to be defeased, and the obligations have been removed from the District's general purpose financial statements. The balance of the proceeds from the 1998 Certificates of Participation are to be used to provide financing for the construction of new school facilities. The 1998 Certificates of Participation mature through March 2024, and have interest rates ranging from 4.00% to 5.35%.

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

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

<u>Year Ending</u> <u>June 30,</u>	<u>Payments</u>
2013	\$ 3,561,841
2014	3,554,866
2015	3,557,939
2016	3,554,695
2017	3,563,879
2018-2022	14,385,507
2023-2024	<u>255,713</u>
	32,434,440
Less amount representing interest	<u>(5,832,091)</u>
	<u>\$ 26,602,349</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, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 413,975	\$ 436,025	\$ 850,000
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
2018-2022	1,649,867	3,400,133	5,050,000
2023	<u>298,798</u>	<u>786,202</u>	<u>1,085,000</u>
	<u>\$ 3,885,941</u>	<u>\$ 6,709,059</u>	<u>\$ 10,595,000</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, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,640,000	\$ 910,148	\$ 3,550,148
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
2018-2022	9,710,527	11,119,761	20,830,288
2023-2027	6,778,154	16,596,846	23,375,000
2028	<u>1,223,491</u>	<u>3,786,509</u>	<u>5,010,000</u>
	<u>\$ 33,112,172</u>	<u>\$ 34,690,525</u>	<u>\$ 67,802,697</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, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,510,000	\$ 1,536,625	\$ 3,046,625
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
2018-2022	13,140,000	4,760,275	17,900,275
2023-2027	11,040,877	9,053,685	20,094,562
2028-2030	<u>6,282,972</u>	<u>6,939,277</u>	<u>13,222,249</u>
	<u>\$ 39,348,849</u>	<u>\$ 27,822,751</u>	<u>\$ 67,171,600</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, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,050,000	\$ 1,201,525	\$ 2,251,525
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
2018-2022	17,066,643	5,983,407	23,050,050
2023-2027	16,205,407	15,787,343	31,992,750
2028-2032	13,580,891	24,054,109	37,635,000
2033	<u>2,600,894</u>	<u>5,769,106</u>	<u>8,370,000</u>
	<u>\$ 59,433,835</u>	<u>\$ 56,892,890</u>	<u>\$ 116,326,725</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 2032, 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, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 515,000	\$ 2,478,949	\$ 2,993,949
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
2018-2022	2,527,744	13,907,393	16,435,137
2023-2027	10,636,690	20,001,903	30,638,593
2028-2032	12,441,297	34,778,146	47,219,443
2033	<u>15,574,049</u>	<u>45,238,765</u>	<u>60,812,814</u>
	<u>\$ 42,223,851</u>	<u>\$126,359,805</u>	<u>\$168,583,656</u>

#### Capital Lease

In May 2010, the District entered into a capital lease for the acquisition of 23 busses, totaling \$3,397,605. At June 30, 2012, the accumulated depreciation related to these assets totaled \$679,522. The following is a schedule of the future payments for the capital lease:

Year Ending <u>June 30,</u>	<u>Payments</u>
2013	\$ 406,833
2014	406,833
2015	406,833
2016	406,833
2017	406,833
2018-2019	<u>813,666</u>
	2,847,831
Less amount representing interest	<u>(426,563)</u>
	<u>\$ 2,421,268</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, 2012 is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
Certificates of Participation	\$ 29,092,349	\$ -	\$ 2,490,000	\$ 26,602,349	\$ 2,500,000
General Obligation Bonds	183,750,162	-	5,745,514	178,004,648	6,128,975
Accreted interest on General Obligation Bonds	22,502,308	4,952,980	399,486	27,055,802	436,025
Capital lease	2,713,343	-	292,075	2,421,268	304,428
Other postemployment benefits (Note 8)	26,602,679	1,379,630	-	27,982,309	-
Compensated absences	833,216	53,615	-	886,831	-
<b>Totals</b>	<b>\$ 265,494,057</b>	<b>\$ 6,386,225</b>	<b>\$ 8,927,075</b>	<b>\$ 262,953,207</b>	<b>\$ 9,369,428</b>

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. Payments on the other postemployment benefits and compensated absences are made from the Fund for which the related employee worked.

**6. NET ASSETS / FUND BALANCES**

Restricted net assets consisted of the following at June 30, 2012:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues	\$ 6,658,706
Restricted for special revenues	4,663,215
Restricted for capital projects	6,649,261
Restricted for debt service	<u>9,994,485</u>
	<u>\$ 27,965,667</u>
	<u>Business-Type Activities</u>
Restricted for student care center	<u>\$ 458,989</u>
	<u>Fiduciary Activities</u>
Restricted for retiree benefits	<u>\$ 5,741,565</u>

# FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 6. NET ASSETS / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2012 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 75,000	\$ -	\$ -	\$ 10,000	\$ 85,000
Prepaid expenditures	3,392	-	-	-	3,392
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,445</u>	<u>31,445</u>
Subtotal nonspendable	<u>78,392</u>	<u>-</u>	<u>-</u>	<u>41,445</u>	<u>119,837</u>
Restricted:					
Unspent categorical revenues	6,658,706	-	-	-	6,658,706
Special revenue	-	-	-	4,621,770	4,621,770
Capital projects	-	6,948,076	-	5,289,728	12,237,804
Debt service	<u>-</u>	<u>-</u>	<u>10,566,483</u>	<u>-</u>	<u>10,566,483</u>
Subtotal restricted	<u>6,658,706</u>	<u>6,948,076</u>	<u>10,566,483</u>	<u>9,911,498</u>	<u>34,084,763</u>
Assigned:					
Trigger cuts	4,022,000	-	-	-	4,022,000
Donations	1,742,946	-	-	-	1,742,946
School site carryovers	2,623,523	-	-	-	2,623,523
Categorical 2012/13 sweep	3,665,626	-	-	-	3,665,626
Additional 2013/14 sweep	3,435,228	-	-	-	3,435,228
Other assignments	<u>3,800,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,800,280</u>
Subtotal assigned	<u>19,289,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,289,603</u>
Unassigned:					
Designated for economic uncertainty	4,365,000	-	-	-	4,365,000
Undesignated	<u>1,993,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,993,062</u>
Subtotal unassigned	<u>6,358,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,358,062</u>
Total fund balances	<u>\$ 32,384,763</u>	<u>\$ 6,948,076</u>	<u>\$ 10,566,483</u>	<u>\$ 9,952,943</u>	<u>\$ 59,852,265</u>

### 7. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under 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).

## FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

##### Plan Description and Provisions

##### California Public Employees' Retirement System (CalPERS)

###### *Plan Description*

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

###### *Funding Policy*

Active plan members are required to contribute 7% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923% 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, 2010, 2011 and 2012 were \$2,392,672, \$2,596,139 and \$2,662,515, 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% of their salary. The required employer contribution rate for fiscal year 2011-2012 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, 2010, 2011 and 2012 were \$5,989,881, \$5,746,737 and \$5,732,312, 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	\$ 1,855,836
Interest on net OPEB obligation	1,064,107
Adjustment to annual required contribution	<u>(889,035)</u>
Annual OPEB cost (expense)	2,030,908
Contributions made	<u>(651,278)</u>
Decrease in net OPEB obligation	1,379,630
Net OPEB obligation - beginning of year	<u>26,602,679</u>
Net OPEB obligation - end of year	<u><u>\$ 27,982,309</u></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 contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 3,985,164	17%	\$ 26,684,612
June 30, 2011	\$ 620,538	113%	\$ 26,602,679
June 30, 2012	\$ 2,030,908	32%	\$ 27,982,309

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$24,280,260, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,280,260. At June 30, 2012, the actuarial accrued liability for benefits was \$27,982,309. The covered payroll (annual payroll of active employees covered by the Plan) was \$102.4 million, and the ratio of the UAAL to the covered payroll was 23.7 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, 2010 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 7.9 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 10 years. Both rates included a 3.0 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.

# **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, SIA and SPURR as of June 30, 2011 (the most recent information available):

	<u>SELF</u>	<u>SIA</u>	<u>SPURR</u>
Total assets	174,774,000	101,105,311	13,602,413
Total liabilities	141,524,000	41,804,380	7,404,396
Total revenue	9,165,000	43,906,093	35,320,550
Total expenses	12,425,000	37,968,010	34,884,934
Change in net assets	(3,260,000)	5,938,083	435,616
Net assets	33,250,000	59,300,931	6,198,017

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.

### **11. SUBSEQUENT EVENT**

In November 2012, the voters of Facilities Improvement District No. 4 approved Measure P authorizing the District to issue \$68,000,000 in general obligation bonds to construct, acquire, repair classrooms, sites, facilities and equipment, upgrade instructional technology, student safety and security systems for school facilities located in Rancho Cordova. The District has not issued any bonds related to this authorization.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended June 30, 2012**

	<u>Budget</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Revenue limit sources:				
State apportionment	\$ 44,608,080	\$ 57,491,948	\$ 57,808,895	\$ 316,947
Local sources	<u>39,573,692</u>	<u>38,482,161</u>	<u>38,136,561</u>	<u>(345,600)</u>
Total revenue limit	<u>84,181,772</u>	<u>95,974,109</u>	<u>95,945,456</u>	<u>(28,653)</u>
Federal sources	10,049,430	12,166,775	11,038,361	(1,128,414)
Other state sources	26,490,528	29,399,393	29,261,962	(137,431)
Other local sources	<u>2,521,278</u>	<u>5,543,910</u>	<u>5,263,473</u>	<u>(280,437)</u>
Total revenues	<u>123,243,008</u>	<u>143,084,187</u>	<u>141,509,252</u>	<u>(1,574,935)</u>
Expenditures:				
Certificated salaries	65,638,414	68,117,256	67,876,932	240,324
Classified salaries	23,250,363	24,594,810	24,425,740	169,070
Employee benefits	23,235,865	23,590,393	23,475,376	115,017
Books and supplies	4,581,138	5,326,699	4,997,932	328,767
Contract services and operating expenditures	10,596,517	11,359,760	11,937,682	(577,922)
Capital outlay	189,962	898,935	869,861	29,074
Other outgo	245,245	299,654	299,654	-
Debt service:				
Principal retirement	292,075	292,075	292,075	-
Interest	<u>114,758</u>	<u>114,758</u>	<u>114,758</u>	<u>-</u>
Total expenditures	<u>128,144,337</u>	<u>134,594,340</u>	<u>134,290,010</u>	<u>304,330</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(4,901,329)</u>	<u>8,489,847</u>	<u>7,219,242</u>	<u>(1,270,605)</u>
Other financing sources (uses):				
Operating transfers in	385,117	389,834	389,090	(744)
Operating transfers out	<u>(1,314,075)</u>	<u>(2,061,795)</u>	<u>(2,061,795)</u>	<u>-</u>
Total other financing sources (uses)	<u>(928,958)</u>	<u>(1,671,961)</u>	<u>(1,672,705)</u>	<u>(744)</u>
Net change in fund balance	(5,830,287)	6,817,886	5,546,537	(1,271,349)
Fund balance, July 1, 2011	<u>26,838,226</u>	<u>26,838,226</u>	<u>26,838,226</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 21,007,939</u>	<u>\$ 33,656,112</u>	<u>\$ 32,384,763</u>	<u>\$ (1,271,349)</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, 2012

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

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, 2012 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Contract services and operating expenditures	\$ 577,922

**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, 2012

	Charter School Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Total
<b>ASSETS</b>								
Cash in County Treasury	\$ (315,862)	\$ 819,676	\$ 91,130	\$ 2,055,918	\$ 1,157,878	\$ 900,372	\$ 4,405,207	\$ 9,114,319
Cash on hand and in banks	-	19,136	-	43,337	-	-	7,220	69,693
Cash in revolving fund	10,000	-	-	-	-	-	-	10,000
Cash with Fiscal Agent	-	-	-	-	-	9,128	-	9,128
Receivables	166,507	37,435	6,735	417,316	1,085	1,567	11,397	642,042
Due from other funds	256,639	15,000	269	6,596	-	-	308,176	586,680
Stores inventory	-	-	-	31,445	-	-	-	31,445
Total assets	\$ 117,284	\$ 891,247	\$ 98,134	\$ 2,554,612	\$ 1,158,963	\$ 911,067	\$ 4,732,000	\$ 10,463,307
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 738	\$ 21,199	\$ 33,602	\$ 39,582	\$ 15,874	\$ 17,023	\$ 24,404	\$ 152,422
Due to other funds	427	336	6,927	38,340	-	310,617	1,295	357,942
Total liabilities	1,165	21,535	40,529	77,922	15,874	327,640	25,699	510,364
Fund balances:								
Nonspendable	10,000	-	-	31,445	-	-	-	41,445
Restricted	106,119	869,712	57,605	2,445,245	1,143,089	583,427	4,706,301	9,911,498
Total fund balances	116,119	869,712	57,605	2,476,690	1,143,089	583,427	4,706,301	9,952,943
Total liabilities and fund balances	\$ 117,284	\$ 891,247	\$ 98,134	\$ 2,554,612	\$ 1,158,963	\$ 911,067	\$ 4,732,000	\$ 10,463,307

**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, 2012

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Total</u>
Revenues:								
Revenue limit sources:								
State apportionment	\$ 415,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 415,342
Local sources	<u>243,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,842</u>
Total revenue limit	<u>659,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>659,184</u>
Federal sources	-	137,956	53,938	3,206,865	-	-	-	3,398,759
Other state sources	76,354	-	807,341	274,720	-	-	-	1,158,415
Other local sources	<u>47,271</u>	<u>405,596</u>	<u>189</u>	<u>1,573,177</u>	<u>4,742</u>	<u>1,248,817</u>	<u>489,204</u>	<u>3,768,996</u>
Total revenues	<u>782,809</u>	<u>543,552</u>	<u>861,468</u>	<u>5,054,762</u>	<u>4,742</u>	<u>1,248,817</u>	<u>489,204</u>	<u>8,985,354</u>
Expenditures:								
Certificated salaries	382,959	487,734	14,695	-	-	-	-	885,388
Classified salaries	33,634	138,733	505,433	1,791,624	102,815	460,264	-	3,032,503
Employee benefits	74,265	128,154	174,732	666,556	26,988	158,776	-	1,229,471
Books and supplies	84,540	23,204	75,594	1,940,073	51,194	2,192	46,627	2,223,424
Contract services and operating expenditures	184,792	37,603	42,309	314,912	287,984	181,869	17,407	1,066,876
Capital outlay	-	-	8,638	37,500	262,839	408,266	176,219	893,462
Debt service:								
Principal retirement	-	-	1,807	3,681	-	2,484,512	-	2,490,000
Interest	-	-	887	1,807	-	1,151,097	-	1,153,791
Total expenditures	<u>760,190</u>	<u>815,428</u>	<u>824,095</u>	<u>4,756,153</u>	<u>731,820</u>	<u>4,846,976</u>	<u>240,253</u>	<u>12,974,915</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,619</u>	<u>(271,876)</u>	<u>37,373</u>	<u>298,609</u>	<u>(727,078)</u>	<u>(3,598,159)</u>	<u>248,951</u>	<u>(3,989,561)</u>
Other financing sources (uses):								
Operating transfers in	-	309,626	-	-	1,052,169	298,411	700,000	2,360,206
Operating transfers out	<u>(34,012)</u>	<u>-</u>	<u>(36,086)</u>	<u>(309,360)</u>	<u>(745,000)</u>	<u>-</u>	<u>-</u>	<u>(1,124,458)</u>
Total other financing sources (uses)	<u>(34,012)</u>	<u>309,626</u>	<u>(36,086)</u>	<u>(309,360)</u>	<u>307,169</u>	<u>298,411</u>	<u>700,000</u>	<u>1,235,748</u>
Net change in fund balances	<u>(11,393)</u>	<u>37,750</u>	<u>1,287</u>	<u>(10,751)</u>	<u>(419,909)</u>	<u>(3,299,748)</u>	<u>948,951</u>	<u>(2,753,813)</u>
Fund balances, July 1, 2011	<u>127,512</u>	<u>831,962</u>	<u>56,318</u>	<u>2,487,441</u>	<u>1,562,998</u>	<u>3,883,175</u>	<u>3,757,350</u>	<u>12,706,756</u>
Fund balances, June 30, 2012	<u>\$ 116,119</u>	<u>\$ 869,712</u>	<u>\$ 57,605</u>	<u>\$ 2,476,690</u>	<u>\$ 1,143,089</u>	<u>\$ 583,427</u>	<u>\$ 4,706,301</u>	<u>\$ 9,952,943</u>

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

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

**ALL AGENCY FUNDS**

**For the Year Ended June 30, 2012**

	<b><u>Balance July 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance June 30, 2012</u></b>
<b><u>Deferred Compensation</u></b>				
Assets:				
Cash on hand and in banks	\$ -	\$ -	\$ -	\$ -
Deferred compensation	<u>964,295</u>	<u>104,758</u>	<u>219,930</u>	<u>849,123</u>
Total assets	<u><u>\$ 964,295</u></u>	<u><u>\$ 104,758</u></u>	<u><u>\$ 219,930</u></u>	<u><u>\$ 849,123</u></u>
Liabilities:				
Deferred compensation	\$ 964,295	\$ 104,758	\$ 219,930	\$ 849,123
Due to student groups	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>\$ 964,295</u></u>	<u><u>\$ 104,758</u></u>	<u><u>\$ 219,930</u></u>	<u><u>\$ 849,123</u></u>
<b><u>Student Body</u></b>				
<b><u>High Schools</u></b>				
Assets:				
Cash on hand and in banks	\$ 680,403	\$ 1,718,518	\$ 1,773,847	\$ 625,074
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 680,403</u></u>	<u><u>\$ 1,718,518</u></u>	<u><u>\$ 1,773,847</u></u>	<u><u>\$ 625,074</u></u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>680,403</u>	<u>1,718,518</u>	<u>1,773,847</u>	<u>625,074</u>
Total liabilities	<u><u>\$ 680,403</u></u>	<u><u>\$ 1,718,518</u></u>	<u><u>\$ 1,773,847</u></u>	<u><u>\$ 625,074</u></u>
<b><u>Middle Schools</u></b>				
Assets:				
Cash on hand and in banks	\$ 232,592	\$ 469,602	\$ 477,067	\$ 225,127
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 232,592</u></u>	<u><u>\$ 469,602</u></u>	<u><u>\$ 477,067</u></u>	<u><u>\$ 225,127</u></u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>232,592</u>	<u>469,602</u>	<u>477,067</u>	<u>225,127</u>
Total liabilities	<u><u>\$ 232,592</u></u>	<u><u>\$ 469,602</u></u>	<u><u>\$ 477,067</u></u>	<u><u>\$ 225,127</u></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, 2012**

	<b>Balance July 1, <u>2011</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2012</u></b>
<b><u>Student Body</u></b> (Continued)				
<b><u>Elementary Schools</u></b>				
Assets:				
Cash on hand and in banks	\$ 206,087	\$ 706,012	\$ 683,549	\$ 228,550
Deferred compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 206,087</u>	<u>\$ 706,012</u>	<u>\$ 683,549</u>	<u>\$ 228,550</u>
Liabilities:				
Deferred compensation	\$ -	\$ -	\$ -	\$ -
Due to student groups	<u>206,087</u>	<u>706,012</u>	<u>683,549</u>	<u>228,550</u>
Total liabilities	<u>\$ 206,087</u>	<u>\$ 706,012</u>	<u>\$ 683,549</u>	<u>\$ 228,550</u>
<b><u>Total Agency Funds</u></b>				
Assets:				
Cash on hand and in banks	\$ 1,119,082	\$ 2,894,132	\$ 2,934,463	\$ 1,078,751
Deferred compensation	<u>964,295</u>	<u>104,758</u>	<u>219,930</u>	<u>849,123</u>
Total assets	<u>\$ 2,083,377</u>	<u>\$ 2,998,890</u>	<u>\$ 3,154,393</u>	<u>\$ 1,927,874</u>
Liabilities:				
Deferred compensation	\$ 964,295	\$ 104,758	\$ 219,930	\$ 849,123
Due to student groups	<u>1,119,082</u>	<u>2,894,132</u>	<u>2,934,463</u>	<u>1,078,751</u>
Total liabilities	<u>\$ 2,083,377</u>	<u>\$ 2,998,890</u>	<u>\$ 3,154,393</u>	<u>\$ 1,927,874</u>

# **FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

## **ORGANIZATION**

**June 30, 2012**

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**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
JoAnne Reinking	President	2012
Edward Short	Vice President	2014
Zak Ford	Clerk	2014
Richard Shaw	Member	2012
Teresa Stanley	Member	2012

### **ADMINISTRATION**

Deborah Bettencourt  
Superintendent

Rhonda Crawford  
Chief Financial Officer/CBO

Curtis Wilson  
Assistant Superintendent, Elementary Instruction

Janie DeArcos  
Assistant Superintendent, Secondary Instruction

Cathy Runnels  
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, 2012**

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
<b><u>Traditional Schools</u></b>		
Elementary:		
Kindergarten	1,460	1,469
First through Third	4,250	4,247
Fourth through Eighth	6,760	6,739
Special Education	434	425
Community Day School	12	13
Home and Hospital	<u>5</u>	<u>6</u>
Subtotal Elementary	<u>12,921</u>	<u>12,899</u>
Secondary:		
Regular Classes	4,941	4,911
Special Education	181	146
Continuation Education	233	224
Home and Hospital	5	6
Community Day School	<u>31</u>	<u>31</u>
Subtotal Secondary	<u>5,391</u>	<u>5,318</u>
District Total	<u><u>18,312</u></u>	<u><u>18,217</u></u>
<b><u>Folsom Community Charter School - Non-Classroom Based:</u></b>		
Kindergarten	7	7
First through Third	35	35
Fourth through Sixth	43	43
Seventh through Eighth	31	32
Special Education	<u>8</u>	<u>8</u>
	<u><u>124</u></u>	<u><u>125</u></u>

See accompanying notes to supplementary information.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

**For the Year Ended June 30, 2012**

<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>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b><u>DISTRICT</u></b>							
Kindergarten	36,000	35,000	31,680	30,800	35,715	178	In Compliance
Grade 1	50,400	49,000	42,240	41,067	52,030	178	In Compliance
Grade 2	50,400	49,000	42,240	41,067	52,030	178	In Compliance
Grade 3	50,400	49,000	42,240	41,067	53,430	178	In Compliance
Grade 4	54,000	52,500	52,800	51,333	53,430	178	In Compliance
Grade 5	54,000	52,500	52,800	51,333	53,430	178	In Compliance
Grade 6	54,000	52,500	52,800	51,333	53,430	178	In Compliance
Grade 7	54,000	52,500	52,800	51,333	61,120	178	In Compliance
Grade 8	54,000	52,500	52,800	51,333	61,120	178	In Compliance
Grade 9	64,800	63,000	52,800	51,333	64,710	178	In Compliance
Grade 10	64,800	63,000	52,800	51,333	64,710	178	In Compliance
Grade 11	64,800	63,000	52,800	51,333	64,710	178	In Compliance
Grade 12	64,800	63,000	52,800	51,333	64,710	178	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, 2012**

<b><u>Federal Catalog Number</u></b>	<b><u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u></b>	<b><u>Pass- Through Entity Identifying Number</u></b>	<b><u>Federal Expend- itures</u></b>
<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	\$ 2,790,217
84.392	Special Education: ARRA IDEA Part B, Sec 619 Preschool Grants	15000	104,520
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	13682	169,436
84.391	Special Education: ARRA IDEA Part B, Sec 611, Basic Local Assistance	15003	1,140,231
84.027A	Special Education: IDEA Mental Health Services, Part B, Sec 611	14468	<u>62,474</u>
	Subtotal Special Education Cluster		<u>4,266,878</u>
	Adult Education Cluster:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	67,831
84.002	Adult Education: Adult Secondary Education	13978	33,193
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	<u>36,932</u>
	Subtotal Adult Education Cluster		<u>137,956</u>
	Title III Cluster:		
84.365	NCLB (ESEA): Title III, Immigrant Education Program	15146	38,526
84.365	NCLB (ESEA): Title III, Limited English Proficient (LEP) Student Program	14346	<u>184,772</u>
	Subtotal Title III Cluster		<u>223,298</u>
	Title II Cluster:		
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	366,115
84.367	NCLB: Title II, Part A, Administrator Training	14344	<u>7,833</u>
	Subtotal Title II, Part A Cluster		<u>373,948</u>

(Continued)

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2012**

<b>Federal Catalog Number</b>	<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass- Through Entity Identifying Number</b>	<b>Federal Expend- itures</b>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 2,519,467
84.048	Carl D.Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	86,950
84.181	Special Education: IDEA Early Intervention Grants, Part C	23761	91,745
84.186	NCLB: Title IV, Part A, Safe & Drug Free Schools and Communities, Formula Grants	14347	19,571
84.323	Special Education: State Improvement Grant, Improving Special Ed Systems	14920	22,555
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT) Formula Grants	15019	48,290
84.394	ARRA: State Fiscal Stabilization Fund (SFSF)	25008	895,054
84.410	Education Jobs Fund (SB 847)	25152	<u>2,884,353</u>
Total U.S. Department of Education			<u>11,570,065</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	199,949
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option	10013	193,810
93.778	Medi-Cal Medical Administrative Activities	10060	<u>13,928</u>
Total U.S. Department of Health and Human Services			<u>407,687</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	53,938
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	<u>3,206,865</u>
Total U.S. Department of Agriculture			<u>3,260,803</u>
Total Federal Programs			<u>\$ 15,238,555</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, 2012**

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, 2012**

(Unaudited)

	(Budgeted) <u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>General Fund</u></b>				
Revenues and other financing sources	\$128,306,177	\$141,898,342	\$142,834,614	\$140,596,987
Expenditures	137,482,962	134,290,010	132,513,355	141,724,900
Other uses and transfers out	<u>1,561,795</u>	<u>2,061,795</u>	<u>2,036,620</u>	<u>1,971,312</u>
Total outgo	<u>139,044,757</u>	<u>136,351,805</u>	<u>134,549,975</u>	<u>143,696,212</u>
Changes in fund balance	<u>\$ (10,738,580)</u>	<u>\$ 5,546,537</u>	<u>\$ 8,284,639</u>	<u>\$ (3,099,225)</u>
Ending fund balance	<u>\$ 21,646,183</u>	<u>\$ 32,384,763</u>	<u>\$ 26,838,226</u>	<u>\$ 18,553,587</u>
Available reserves	<u>\$ 2,164,354</u>	<u>\$ 6,358,062</u>	<u>\$ 4,872,836</u>	<u>\$ 5,141,847</u>
Designated for economic uncertainties	<u>\$ 4,365,000</u>	<u>\$ 4,365,000</u>	<u>\$ 4,365,000</u>	<u>\$ 4,500,000</u>
Undesignated fund balance	<u>\$ (2,200,646)</u>	<u>\$ 1,993,062</u>	<u>\$ 507,836</u>	<u>\$ 641,847</u>
Available reserves as percentages of total outgo	<u>1.6%</u>	<u>4.7%</u>	<u>3.6%</u>	<u>3.1%</u>
<b><u>All Funds</u></b>				
Total long-term liabilities	<u>\$253,583,779</u>	<u>\$262,953,207</u>	<u>\$265,494,057</u>	<u>\$270,459,399</u>
Average daily attendance at P-2	<u>18,312</u>	<u>18,312</u>	<u>17,934</u>	<u>18,243</u>

The General Fund fund balance has increased by \$10,731,951 over the past three years. The fiscal year 2012-2013 budget projects a decrease of \$10,738,580. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the fiscal year 2012-2013.

Total long-term liabilities have decreased by \$7,506,192 over the past two years, primarily due to debt payments on General Obligation bonds during the fiscal year.

Average daily attendance has increased by 69 over the past two years. No change in ADA is projected for the 2012-2013 fiscal year.

See accompanying notes to supplementary information.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**For the Year Ended June 30, 2012**

<u><b>Charter Schools Chartered by District</b></u>	<u><b>Included in District Financial Statements, or Separate Report</b></u>
Folsom Community Charter School	Included in District Financial Statements as Charter School Fund.

See accompanying notes to supplementary information.

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES**  
**For the Year Ended June 30, 2012**

	<b>Academic and Support <u>Services</u></b>
Revenues:	
Other local sources	\$ <u>406,859</u>
Expenditures:	
Certificated salaries	59,600
Classified salaries	202,314
Employee benefits	64,035
Books and supplies	43,130
Contract services and operating expenditures	20,484
Indirect costs	<u>17,296</u>
	<u>406,859</u>
Net income	-
Net assets, beginning of year	<u>-</u>
Net assets, 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, 2012.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 14,437,120
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	895,054
Less: Medi-Cal Billing Funds not spent	93.778	<u>(93,619)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 15,238,555</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 2012-2013 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, 2012, the District did not adopt such a program.

## REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education  
 Folsom Cordova Unified School District  
 Folsom, California

We have audited the compliance of Folsom Cordova Unified School District 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, 2012. Compliance with the requirements of state laws and regulations is the responsibility of Folsom Cordova Unified School District's management. Our responsibility is to express an opinion on Folsom Cordova Unified School District's compliance based on our audit.

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 below 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. Our audit does not provide a legal determination of Folsom Cordova Unified School District's compliance with those requirements.

<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	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Juvenile Court Schools	8	No, see below
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	5	No, see below
Districts with only one school serving K-3	6	No, see below

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	No, see below
Contemporaneous Records of Attendance, for charter schools	3	No, see below
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 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.

The 2011-2012 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2012. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2011-2012 Audit Guide relating to the comparison of tested data from the 2011-2012 fiscal year to the 2011-2012 School Accountability Report Cards.

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 Contemporaneous Records of Attendance, Mode of Instruction or Annual Instructional Minutes for Charter Schools because the District does not have any classroom-based Charter School ADA.

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, 2012. 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.

This report is intended solely for the information of the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California  
December 10, 2012

REPORT OF INDEPENDENT AUDITORS 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 the financial statements of Folsom Cordova Unified School District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. 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.

Internal Control Over Financial Reporting

Management of Folsom Cordova Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Folsom Cordova Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Folsom Cordova Unified School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain matters involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-01.

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*.



Folsom Cordova Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Crowe Horwath LLP", is positioned above the printed name.

Crowe Horwath LLP

Sacramento, California  
December 10, 2012

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Folsom Cordova Unified School District  
Folsom, California

Compliance

We have audited Folsom Cordova Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2012. Folsom Cordova Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Folsom Cordova Unified School District's management. Our responsibility is to express an opinion on Folsom Cordova Unified School District's compliance based on our audit.

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. 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. Our audit does not provide a legal determination on Folsom Cordova Unified School District's compliance with those requirements.

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 each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Folsom Cordova Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Folsom Cordova Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Crowe Horwath LLP", is positioned above the printed name of the firm.

Crowe Horwath LLP

Sacramento, California  
December 10, 2012

REPORT OF INDEPENDENT AUDITORS 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

Compliance

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 impact to First 5 Sacramento County Program for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program is the responsibility of Folsom Cordova Unified School District's management. Our responsibility is to express an opinion on Folsom Cordova Unified School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Folsom Cordova Unified School District's compliance with those requirements.

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 impact on its First 5 Sacramento County Program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Folsom Cordova Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the First 5 Sacramento County Program. In planning and performing our audit, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and First 5 Sacramento County and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Crowe Horwath LLP", is positioned above the printed name of the firm.

Crowe Horwath LLP

Sacramento, California  
December 10, 2012

## **FINDINGS AND RECOMMENDATIONS**

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2012

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A, 84.391, 84.392	Special Education Cluster (includes ARRA)
84.394	ARRA: State Fiscal Stabilization Fund
84.410	Education Jobs Fund (SB 847)
10.555	Child Nutrition: School Programs (NSL Sec 4)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 457,157

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

**STATE AWARDS**

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

**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2012**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2012-01 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)**

**Criteria**

Internal control / Safeguarding of assets

**Condition**

At Mills Middle School we noted inventory counts performed by the office clerk were not verified by a second party.

**Effect**

ASB funds could potentially be misappropriated

**Cause**

Adequate internal control procedures have not been properly implemented and enforced.

**Fiscal Impact**

Not determinable.

**Recommendation**

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.:

**Corrective Action Plan**

The District will ensure a second site personnel will be present when the inventory count is performed. The signatures of both personnel performing the inventory count will be included on the final count reconciliation.



**FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2012**

**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, 2012**

**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, 2012**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
<p>2011-01</p> <p>At Cordova Meadows Elementary School:</p> <ul style="list-style-type: none"> <li>There was no evidence of a receipt book log for sub-receipt books issued to teachers.</li> </ul> <p>At Rancho Cordova Elementary School:</p> <ul style="list-style-type: none"> <li>Cash receipts are not used during the initial collection of cash before being turned into the Office.</li> <li>There was no evidence of a receipt book log for sub-receipt books issued to teachers.</li> </ul> <p>At Folsom High School:</p> <ul style="list-style-type: none"> <li>Receipts were not issued at the time when cash was received by the ASB office.</li> <li>Cash deposits were not made timely.</li> <li>Reconciliations were not being performed or evidence indicating that reconciliations being performed in a timely manner could not be obtained.</li> </ul> <p>The District should implement and enforce internal controls, including:</p> <ul style="list-style-type: none"> <li>Receipt logs should maintained for receipt books issued by the office.</li> <li>Receipts books should be issued to all student groups to ensure that all funds raised during an event are properly accounted for.</li> <li>Deposits should be made in a timely manner.</li> <li>Reconciliations should be prepared on a monthly basis by the office manager and reviewed by the Principal in a timely manner.</li> </ul>	Partially Implemented.	See current year finding 2012-01.