

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
Folsom, California

FINANCIAL STATEMENTS
June 30, 2011

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2011

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WITH SUPPLEMENTARY INFORMATION**

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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, 2011, 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, 2011, 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 February 28, 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.

Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Folsom Cordova Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Folsom Cordova Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Crowe Horwath LLP", with a stylized flourish at the end.

Crowe Horwath LLP

Sacramento, California
February 28, 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. New accounting rules require this discussion and analysis, which makes reporting of finances similar to that of private business.

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 11. These two statements report the district-wide financial condition and activities. The individual fund statements which focus on reporting the district's operations in more detail begin on page 13.

Overview of the Financial Statements

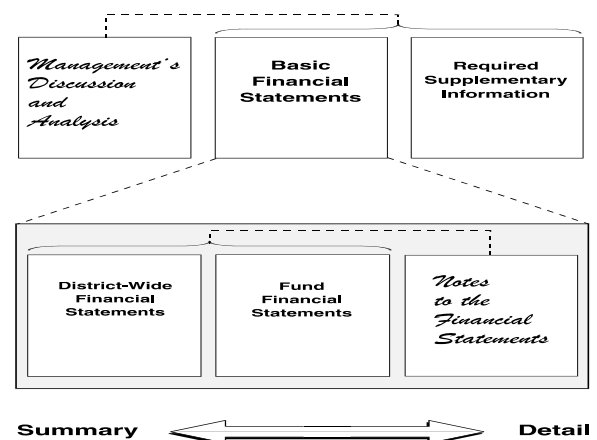
This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

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

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



District-wide Statements

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

- *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>2010-2011</u>
	<u>2010</u>	<u>2011</u>	
Current and other assets	\$ 116,922,924	88,756,635	
Capital assets	<u>416,978,480</u>	<u>442,238,999</u>	
Total assets	533,901,404	530,995,634	-0.5%
Long-term debt outstanding	270,459,399	265,966,468	
Other liabilities	<u>7,914,655</u>	<u>11,349,066</u>	
Total liabilities	278,374,054	277,315,534	-0.4%
Invested in capital assets, net of related debt	194,271,101	217,785,397	
Restricted	74,619,415	43,557,669	
Unrestricted	<u>-13,363,166</u>	<u>-7,310,142</u>	
Total net assets	\$ 255,527,350	253,680,100	-0.7%

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>2010</u>	<u>2011</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 1,972,044	\$ 1,821,356	
Operating Grants	32,172,458	29,830,782	
Capital Grants and Contributions	1,258	620,981	
General Revenues			
Property Taxes	53,333,416	51,274,455	
Federal and State Aid	63,824,713	73,262,544	
Other	<u>7,352,437</u>	<u>10,097,846</u>	
Total Revenues	<u>\$158,656,326</u>	<u>\$166,907,964</u>	
Program Expenses			
Instruction	105,402,333	102,582,623	
Instruction Related Services	17,588,494	15,041,416	
Pupil Services	15,577,519	15,577,519	
Ancillary Services	2,122,019	2,263,599	
Community Services	205,128	14,316	
General Administration	8,101,431	7,742,012	
Plant Services	11,138,164	13,266,497	
Interest	10,199,800	12,879,187	
Other	<u>329,779</u>	<u>222,258</u>	
Total Expenses	<u>170,664,667</u>	<u>168,755,214</u>	
Decrease in Net Assets	(12,008,341)	(1,847,250)	
Net Assets – Beginning	<u>267,535,691</u>	<u>255,527,350</u>	
Net Assets – Ending	<u>\$ 255,527,350</u>	<u>\$ 253,680,100</u>	

Financial Condition of General Fund

Folsom Cordova Unified School District is striving to maintain its solid financial condition. Ending fund balance increased due to one-time federal and state stimulus revenue received in 2010-11, as well as reduced spending district wide. The following table summarizes operational fund financial statements:

	<u>2010</u>	General Fund <u>2011</u>	Percentage Change <u>2010-2011</u>
Total Revenues	\$ 136,896,857	\$ 141,845,969	3.6%
Expenses	141,724,900	132,513,355	-6.5%
Other financing sources	1,730,818	-1,047,975	-160.5%
Excess of revenues over expenses	\$ -3,097,225	\$ 8,284,639	367.5%

Future good financial performance will depend on management's ability to continue to control expenses, and to maintain current and generate new revenues. The increase in the ending balance (excess of revenue over expenses) is due to the receipt of \$1,938,485 one-time federal stimulus dollars to be used in 2011/12.

Capital Assets

At year-end, the district has invested \$41,310,741 in modernization and new construction from the following combined sources for 2010-11. This represents a 62.6% increase over last year's amount of \$25,410,737.

	<u>2010</u>	All Funds <u>2011</u>	Percentage Change <u>2010-2011</u>
Land	\$ 47,616,097	\$ 48,216,097	
Improvement of sites	24,562,776	25,006,531	
Buildings	232,889,037	374,217,683	
Equipment	21,205,995	24,334,968	
Work-in-process	<u>212,139,204</u>	<u>107,948,571</u>	
Total	\$ 538,413,109	\$ 579,723,850	7.7%

District Indebtedness

At year-end, the District has incurred \$265,494,057 of long-term debt. Of that, \$206,252,470 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.

	<u>2010</u>	Governmental Activities <u>2011</u>	Percentage Change <u>2010-2011</u>
Compensated absences	\$ 836,136	\$ 833,216	
Certificates of participation	31,497,349	29,092,349	
General obligation bonds	208,447,736	206,252,470	
Capital lease	2,993,566	2,713,343	
Post-employment medical benefits	<u>26,684,612</u>	<u>26,602,679</u>	
Total	\$ 270,459,399	\$ 265,494,057	-1.8%

Cost of Governmental Services

At year-end, the District's General Fund cost of operation was \$134,692,931. Total district expenditures were \$7,031,969 less than the previous year due to an intensive effort to reduce spending district wide.

	General Fund		Percentage Change <u>2010-2011</u>
	<u>2010</u>	<u>2011</u>	
Instruction	\$ 103,986,298	\$ 99,992,073	
Pupil services	14,262,784	12,617,194	
Ancillary services	2,117,357	2,259,292	
Community services	205,128	0	
General Administration	6,720,987	6,497,142	
Enterprise		-17,579	
Plant Services	13,489,310	12,738,004	
Other Outgo	<u>943,036</u>	<u>606,806</u>	
Total	\$ 141,724,900	\$ 134,692,931	-5.0 %

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>2011</u>	Actual <u>2011</u>	Percentage <u>Variance</u>
Revenues			
Revenue Limit	96,638,794	96,296,961	
Federal Revenues	13,842,528	11,315,138	
State Revenues	29,651,798	29,136,849	
Local Revenues	<u>5,216,053</u>	<u>5,097,021</u>	
Total Revenues	145,349,173	141,845,969	-2.4%
Expenditures			
Salaries & Benefits	117,030,661	115,805,908	
Books & Supplies	7,314,914	4,451,678	
Services & Other Operating	20,747,793	11,347,921	
Capital Outlay/Other Outgo	<u>1,014,264</u>	<u>907,848</u>	
Total Expenditures	146,107,632	132,513,355	-9.3%

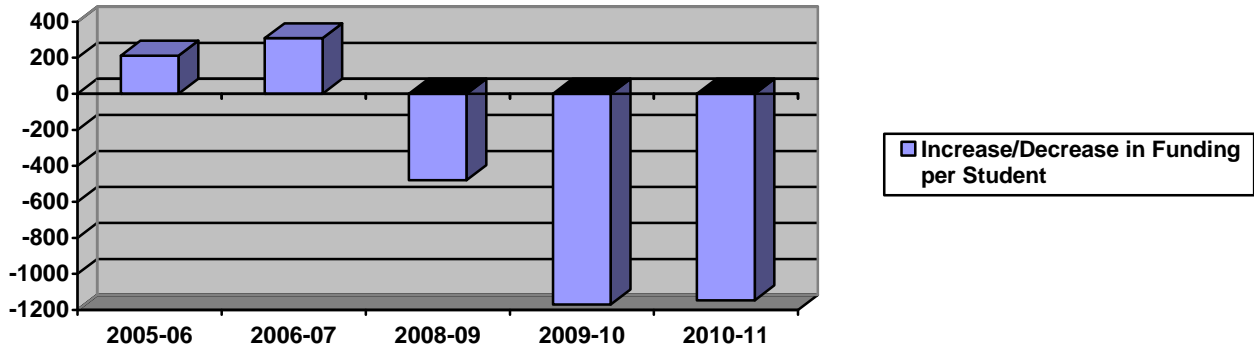
Total budgeted revenues were \$3,503,204 lower than actual revenues received. Total expenditures were \$13,594,277 less than budgeted due to close management of expenditures by the District.

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.

Increase/Decrease in Per Pupil Funding



State Budget Shortfall

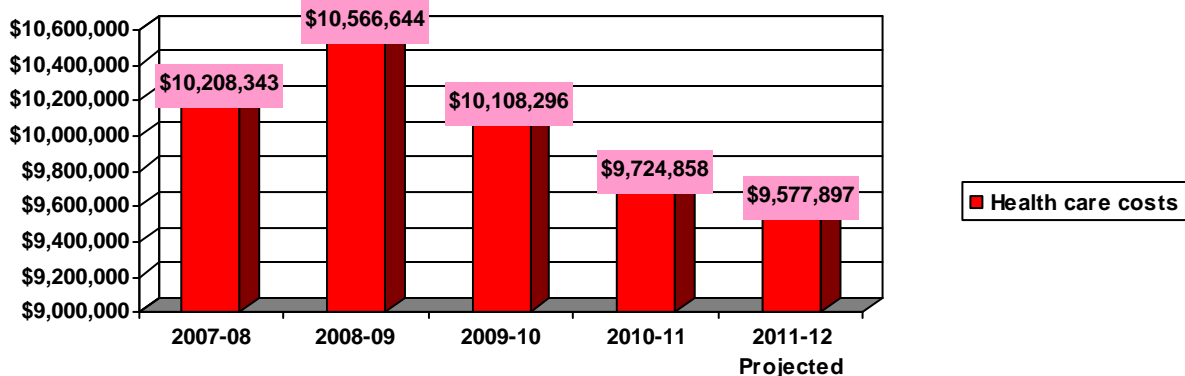
The state borrowed significant funds to continue reduced spending levels. The state deferred paying for certain school programs until after July 1, 2011.

Program	Apportionments for Folsom Cordova USD	Dollar Amount Deferred for Folsom Cordova USD
School Safety and Violence Prevention	\$.166 million	\$.11 million
GATE	\$.135 million	\$.04 million
P-2 Apportionments (including Revenue limit, hourly programs, Class Size Reduction, Community Day School and Special Education)		\$20.21 million
Total Amount of Apportionments Delayed Until 2011-12		\$20.36 million

Health Care Cost Trends

District-Wide Health Care costs in the past had a 5% average annual increase is 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:

Trends in District-Wide Health Care Costs



Categorical Funding

As school revenues increased during the boom times of the late 1990's, the funds came to schools with strings attached. As we moved into constrained economic times, we found these constraints made it difficult to maintain our basic programs. 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.

BASIC FINANCIAL STATEMENTS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 61,719,528	\$ 394,546	\$ 62,114,074
Receivables	26,977,468	203	26,977,671
Due (to) from other funds (Note 3)	47,713	(47,713)	
Prepaid expenditures	1,568	3,249	4,817
Stores inventory	10,358		10,358
Non-depreciable capital assets (Note 4)	156,164,668		156,164,668
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>286,074,331</u>		<u>286,074,331</u>
Total assets	<u>530,995,634</u>	<u>350,285</u>	<u>531,345,919</u>
LIABILITIES			
Accounts payable	7,364,648	34,862	7,399,510
Deferred revenue	4,456,829		4,456,829
Long-term liabilities (Note 5):			
Due within one year	8,527,589		8,527,589
Due after one year	<u>256,966,468</u>		<u>256,966,468</u>
Total liabilities	<u>277,315,534</u>	<u>34,862</u>	<u>277,350,396</u>
NET ASSETS			
Invested in capital assets, net of related debt	217,432,573		217,432,573
Restricted (Note 6)	43,557,669	315,423	43,873,092
Unrestricted	<u>(7,310,142)</u>		<u>(7,310,142)</u>
Total net assets	<u>\$ 253,680,100</u>	<u>\$ 315,423</u>	<u>\$ 253,995,523</u>

The accompanying notes are an integral
part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities (Note 4):							
Instruction	\$ 102,582,623	\$ 5,536	\$ 17,550,752	\$ 620,981	\$ (84,405,354)		\$ (84,405,354)
Instruction-related services:							
Supervision of instruction	4,077,795	1,222	1,885,332		(2,191,241)		(2,191,241)
Instructional library, media and technology	387,220	214	1,245		(385,761)		(385,761)
School site administration	10,576,401		499,503		(10,076,898)		(10,076,898)
Pupil services:							
Home-to-school transportation	3,902,833	236,649	1,054,875		(2,611,309)		(2,611,309)
Food services	4,333,214	1,170,185	2,612,935		(550,094)		(550,094)
All other pupil services	6,507,259	1,287	2,295,755		(4,210,217)		(4,210,217)
General administration:							
Data processing	1,801,280				(1,801,280)		(1,801,280)
All other general administration	5,940,732	58,364	1,530,212		(4,352,156)		(4,352,156)
Plant services	13,266,497	56,304	277,066		(12,933,127)		(12,933,127)
Ancillary services	2,263,599	3,202	659,162		(1,601,235)		(1,601,235)
Community services	14,316				(14,316)		(14,316)
Enterprise activities	12,233				(12,233)		(12,233)
Interest on long-term liabilities	12,879,187				(12,879,187)		(12,879,187)
Other outgo	210,025	288,393	1,463,945		1,542,313		1,542,313
Business-type activities:							
Enterprise activities	<u>2,034,020</u>	<u>2,111,907</u>				<u>\$ 77,887</u>	<u>77,887</u>
Total governmental and business-type activities	<u>\$ 170,789,234</u>	<u>\$ 3,933,263</u>	<u>\$ 29,830,782</u>	<u>\$ 620,981</u>	<u>(136,482,095)</u>	<u>77,887</u>	<u>(136,404,208)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					39,349,469		39,349,469
Taxes levied for debt service					11,636,387		11,636,387
Taxes levied for other specific purposes					288,599		288,599
Federal and state aid not restricted to specific purposes					73,262,544		73,262,544
Interest and investment earnings					292,042	1,826	293,868
Interagency revenues					305,019		305,019
Miscellaneous					9,048,549		9,048,549
Internal transfers					<u>452,236</u>	<u>(452,236)</u>	
Total general revenues					<u>134,634,845</u>	<u>(450,410)</u>	<u>134,184,435</u>
Change in net assets					(1,847,250)	(372,523)	(2,219,773)
Net assets, July 1, 2010,					<u>255,527,350</u>	<u>687,946</u>	<u>256,215,296</u>
Net assets, June 30, 2011					<u>\$ 253,680,100</u>	<u>\$ 315,423</u>	<u>\$ 253,995,523</u>

The accompanying notes are an integral part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	<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>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 7,700,509	\$ 18,593,499	\$ 9,611,075	\$ 11,451,231	\$ 47,356,314
Cash on hand and in banks	337,298			296,732	634,030
Cash in revolving fund	75,000			10,000	85,000
Cash with Fiscal Agent		13,212,112	392,448	39,624	13,644,184
Receivables	26,238,755	8,745	55,154	674,814	26,977,468
Due from other funds	378,616	547,524		1,318,338	2,244,478
Prepaid expenditures	1,568				1,568
Stores inventory				10,358	10,358
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 34,731,746</u>	<u>\$ 32,361,880</u>	<u>\$ 10,058,677</u>	<u>\$ 13,801,097</u>	<u>\$ 90,953,400</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,591,627	\$ 3,509,283	\$ 13,276	\$ 228,954	\$ 6,343,140
Deferred revenue	4,064,453		392,376		4,456,829
Due to other funds	<u>1,237,440</u>	<u>93,938</u>	<u> </u>	<u>865,387</u>	<u>2,196,765</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>7,893,520</u>	<u>3,603,221</u>	<u>405,652</u>	<u>1,094,341</u>	<u>12,996,734</u>
Fund balances:					
Nonspendable	76,568			20,358	96,926
Restricted	5,614,397	28,758,659	9,653,025	12,686,398	56,712,479
Assigned	16,274,425				16,274,425
Unassigned	<u>4,872,836</u>	<u> </u>	<u> </u>	<u> </u>	<u>4,872,836</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<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>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 34,731,746</u>	<u>\$ 32,361,880</u>	<u>\$ 10,058,677</u>	<u>\$ 13,801,097</u>	<u>\$ 90,953,400</u>

The accompanying notes are an integral
part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Total fund balances - Governmental Funds \$ 77,956,666

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 \$579,723,850 and the accumulated depreciation is \$137,484,851 (Note 4).

442,238,999

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, 2011 consisted of (Note 5):

Certificates of Participation	\$ (29,092,349)
General Obligation Bonds	(183,750,162)
Accreted interest	(22,502,308)
Capital Lease	(2,713,343)
Other postemployment benefits (Note 8)	(26,602,679)
Compensated absences	<u>(833,216)</u>

(265,494,057)

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.

(1,021,508)

Total net assets - governmental activities

\$ 253,680,100

The accompanying notes are an integral part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	<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>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 57,250,259			\$ 432,211	\$ 57,682,470
Local sources	<u>39,046,702</u>			<u>314,379</u>	<u>39,361,081</u>
Total revenue limit	<u>96,296,961</u>			<u>746,590</u>	<u>97,043,551</u>
Federal sources	11,315,138			3,223,564	14,538,702
Other state sources	29,136,849		\$ 108,592	1,707,914	30,953,355
Other local sources	<u>5,097,021</u>	<u>\$ 184,312</u>	<u>11,878,793</u>	<u>4,354,798</u>	<u>21,514,924</u>
Total revenues	<u>141,845,969</u>	<u>184,312</u>	<u>11,987,385</u>	<u>10,032,866</u>	<u>164,050,532</u>
Expenditures:					
Certificated salaries	68,217,700			872,586	69,090,286
Classified salaries	24,588,509	48,450		3,073,394	27,710,353
Employee benefits	22,999,699	17,549		1,186,069	24,203,317
Books and supplies	4,451,678	7,618		1,961,686	6,420,982
Contract services and operating expenditures	11,347,921	(43,174)		1,177,849	12,482,596
Capital outlay	301,042	35,371,053		3,036,600	38,708,695
Other outgo	199,973				199,973
Debt service:					
Principal retirement	280,223		6,895,000	2,405,000	9,580,223
Interest	<u>126,610</u>		<u>6,232,650</u>	<u>1,240,167</u>	<u>7,599,427</u>
Total expenditures	<u>132,513,355</u>	<u>35,401,496</u>	<u>13,127,650</u>	<u>14,953,351</u>	<u>195,995,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,332,614</u>	<u>(35,217,184)</u>	<u>(1,140,265)</u>	<u>(4,920,485)</u>	<u>(31,945,320)</u>
Other financing sources (uses):					
Operating transfers in	988,645	1,407,966		3,962,953	6,359,564
Operating transfers out	<u>(2,036,620)</u>	<u>(1,327,661)</u>		<u>(2,543,047)</u>	<u>(5,907,328)</u>
Total other financing sources (uses)	<u>(1,047,975)</u>	<u>80,305</u>		<u>1,419,906</u>	<u>452,236</u>
Net change in fund balances	8,284,639	(35,136,879)	(1,140,265)	(3,500,579)	(31,493,084)
Fund balances, July 1, 2010	<u>18,553,587</u>	<u>63,895,538</u>	<u>10,793,290</u>	<u>16,207,335</u>	<u>109,449,750</u>
Fund balances, June 30, 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>

The accompanying notes are an integral
part of these 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, 2011

Net change in fund balances - Total Governmental Funds \$ (31,493,084)

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). \$ 41,310,741

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (16,050,222)

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). 9,580,223

Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5). (4,699,734)

Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net assets (Notes 5 and 8). 81,933

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. (580,027)

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). 2,920 29,645,834

Change in net assets of governmental activities \$ (1,847,250)

The accompanying notes are an integral part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
STUDENT CARE CENTER FUND
June 30, 2011

ASSETS

Cash in County Treasury	\$ 355,142
Cash in banks	39,404
Receivables	203
Due from other funds	41,231
Prepaid expenditures	<u>3,249</u>
Total assets	<u>439,229</u>

LIABILITIES

Accounts payable	34,862
Due to other funds	<u>88,944</u>
Total liabilities	<u>123,806</u>

NET ASSETS

Net assets - restricted	<u><u>\$ 315,423</u></u>
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The accompanying notes are an integral
part of these 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, 2011

Operating revenues:	
Children Center fees	\$ 2,109,673
Other local revenues	<u>2,234</u>
Total operating revenues	<u>2,111,907</u>
Operating expenses:	
Certificated salaries	97,075
Classified salaries	1,247,174
Employee benefits	415,362
Books and supplies	128,776
Contract services and operating expenses	<u>145,633</u>
Total operating expenses	<u>2,034,020</u>
Operating income	77,887
Non-operating income:	
Interest income	1,826
Non-operating expense:	
Transfers to other funds	<u>(452,236)</u>
Change in net assets	(372,523)
Net assets, July 1, 2010	<u>687,946</u>
Net assets, June 30, 2011	<u><u>\$ 315,423</u></u>

The accompanying notes are an integral
part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
STUDENT CARE CENTER FUND
For the Year Ended June 30, 2011

Cash flows from operating activities:	
Cash received for children center fees	\$ 2,113,964
Cash paid for employee benefits and operating expenses	<u>(2,034,552)</u>
Net cash provided by operating activities	79,412
Cash flows used in financing activities:	
Transfer to other funds	(455,697)
Cash flows provided by investing activities:	
Interest income	<u>1,826</u>
Change in cash and investments	(374,459)
Cash and investments, July 1, 2010	<u>769,005</u>
Cash and investments, June 30, 2011	<u><u>\$ 394,546</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>77,887</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in:	
Receivables	2,057
Accounts payable	<u>(532)</u>
Total adjustments	<u>1,525</u>
Net cash provided by operating activities	<u><u>\$ 79,412</u></u>

The accompanying notes are an integral
part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2011

	<u>Trust Fund</u>	<u>Agency Funds</u>	
	<u>Retiree Benefit</u>	<u>Deferred Compen- sation</u>	<u>Student Body</u>
			<u>Total</u>
ASSETS			
Cash and investments (Note 2):			
Cash in County Treasury	\$ 5,371,282		\$ 5,371,282
Cash on hand and in banks			1,119,082
Deferred compensation		\$ 964,295	964,295
Receivables	<u>223,917</u>		<u>223,917</u>
Total assets	<u>5,595,199</u>	<u>964,295</u>	<u>7,678,576</u>
LIABILITIES			
Accounts payable	10,939		10,939
Deferred compensation		964,295	964,295
Due to student groups			<u>1,119,082</u>
Total liabilities	<u>10,939</u>	<u>964,295</u>	<u>2,094,316</u>
NET ASSETS			
Restricted (Note 6)	<u>\$ 5,584,260</u>	<u>\$ -</u>	<u>\$ 5,584,260</u>

The accompanying notes are an integral
part of these 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, 2011

	<u>Retiree Benefit</u>
Revenues:	
Local sources	<u>\$ 702,471</u>
Expenditures:	
Contract services and operating expenditures	<u>702,471</u>
Change in net assets	-
Net assets, July 1, 2010	<u>5,584,260</u>
Net assets, June 30, 2011	<u><u>\$ 5,584,260</u></u>

The accompanying notes are an integral
part of these 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 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, County School 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 \$1,628,613. 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 \$833,216 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 restrictions for revolving cash, prepaid expenditures and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenditures and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. 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.

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, 2011, 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, 2011, 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, 2011, 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, 2011 consisted of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 47,356,314	\$ 355,142	\$ 5,371,282
Deposits:			
Cash on hand and in banks	634,030	39,404	1,119,082
Cash in revolving fund	85,000		
Investments:			
Cash with Fiscal Agent	13,644,184		
Deferred compensation			964,295
Total	<u>\$ 61,719,528</u>	<u>\$ 394,546</u>	<u>\$ 7,454,659</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, 2011, 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, 2011, the carrying amount of the District's accounts was \$1,877,516, and the bank balances was \$1,916,508, all of which was insured.

Investments

Investments at June 30, 2011 consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash with Fiscal Agent	\$ 13,644,184	\$ 13,644,184
Deferred compensation	<u>964,295</u>	<u>964,295</u>
	<u>\$ 14,608,479</u>	<u>\$ 14,608,479</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, 2011, 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, 2011, 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, 2011 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 378,616	\$ 1,237,440
Building	547,524	93,938
Non-Major Governmental Funds:		
Charter School	7,683	194,367
Adult Education	100,275	198
Child Development	50,930	18,094
Cafeteria		55,010
Deferred Maintenance	400,000	514,643
Capital Facilities	71,630	83,075
County School Facilities	87,820	
Special Reserve for Capital Projects	600,000	

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables (Continued)

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Proprietary Fund:		
Student Care Center	\$ 41,231	\$ 88,944
Totals	<u>\$ 2,285,709</u>	<u>\$ 2,285,709</u>

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 2010-2011 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of Deferred Maintenance Funding.	\$ 1,054,449
Transfer from the General Fund to the Adult Education Fund for direct and indirect support costs.	666,434
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for a temporary transfer.	300,000
Transfer from the General Fund to the Child Development Fund for Title I fees.	7,007
Transfer from the General Fund to the Capital Facilities Fund for family support services at Cordova Lane Elementary.	5,875
Transfer from the General Fund to the County School Facilities Fund for the contribution to the Folsom High project.	2,855
Transfer from the Building Fund to County School Facilities Fund to temporarily cover expenditures related to Mather and Morrison schools.	1,327,661
Transfer from the Charter School Fund to the General Fund for the Charter School relocation.	25,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	38,703
Transfer from the Cafeteria Fund to the Building Fund for the Cordova High kitchen renovation.	750,000
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	186,914
Transfer from the Deferred Maintenance Fund to the Building Fund for the Cordova High kitchen renovation.	500,000

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the Capital Facilities Fund to the County School Facilities Fund for a temporary transfer for Russell and Vista Del Lago schools.	\$ 442,430
Transfer from the Special Reserve for Capital Projects Fund to the General Fund for COP proceeds.	600,000
Transfer from the Student Care Fund to the Capital Facilities Fund for inspection, relocation, building purchase and survey costs.	156,242
Transfer from the Student Care Fund to the Building Fund for inspection, relocation, building purchase, and survey costs.	155,461
Transfer from the Student Care Fund to the General Fund for indirect costs.	138,028
Transfer from the Student Care Fund to the Building Fund to pay for the Williamson Landmark Lease.	<u>2,505</u>
	<u><u>\$ 6,359,564</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Additions	Deductions and Transfers	Balance June 30, 2011
Non-depreciable:				
Land	\$ 47,616,097	\$ 600,000		\$ 48,216,097
Work-in-process	212,139,204	29,402,542	\$ (133,593,175)	107,948,571
Depreciable:				
Improvement of sites	24,562,776	396,581	47,174	25,006,531
Buildings	232,889,037	8,177,203	133,151,443	374,217,683
Equipment	<u>21,205,995</u>	<u>2,734,415</u>	<u>394,558</u>	<u>24,334,968</u>
Totals, at cost	<u>538,413,109</u>	<u>41,310,741</u>		<u>579,723,850</u>
Less accumulated depreciation:				
Improvement of sites	(23,461,781)	(1,644,955)		(25,106,736)
Buildings	(90,189,271)	(13,847,742)		(104,037,013)
Equipment	<u>(7,783,577)</u>	<u>(557,525)</u>		<u>(8,341,102)</u>
Total accumulated depreciation	<u>(121,434,629)</u>	<u>(16,050,222)</u>		<u>(137,484,851)</u>
Governmental activities capital assets, net	<u><u>\$ 416,978,480</u></u>	<u><u>\$ 25,260,519</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 442,238,999</u></u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS (Continued)

At June 30, 2011, the District had capital assets acquired from capital leases with a cost of \$3,397,605 and accumulated depreciation totaling \$339,761.

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 15,598,418
Supervision of instruction	11,407
Instructional library, media and technology	15,060
School site administration	38,448
Home-to-school transportation	246,364
Food services	30,253
All other pupil services	35,104
Ancillary services	3,774
Community services	14,316
Enterprise activities	29,964
All other general administration	<u>27,114</u>
Total depreciation expense	<u>\$ 16,050,222</u>

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%.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

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

<u>Year Ending June 30,</u>	<u>Payments</u>
2012	\$ 3,643,791
2013	3,561,841
2014	3,554,866
2015	3,557,939
2016	3,554,695
2017-2021	17,786,548
2022-2024	<u>418,551</u>
	36,078,231
Less amount representing interest	<u>(6,985,882)</u>
	<u><u>\$ 29,092,349</u></u>

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, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 430,514	\$ 399,486	\$ 830,000
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
2017-2021	1,705,226	3,219,774	4,925,000
2022-2023	<u>606,537</u>	<u>1,538,463</u>	<u>2,145,000</u>
	<u><u>\$ 4,316,455</u></u>	<u><u>\$ 7,108,545</u></u>	<u><u>\$ 11,425,000</u></u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,465,000	\$ 1,002,485	\$ 3,467,485
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
2017-2021	11,733,117	8,624,952	20,358,069
2022-2026	7,061,756	15,783,244	22,845,000
2027-2028	<u>2,472,299</u>	<u>7,427,701</u>	<u>9,900,000</u>
	<u>\$ 35,577,172</u>	<u>\$ 35,693,010</u>	<u>\$ 71,270,182</u>

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, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,385,000	\$ 1,590,325	\$ 2,975,325
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
2017-2021	12,150,000	5,349,675	17,499,675
2022-2026	12,100,656	7,532,231	19,632,887
2027-2030	<u>8,273,193</u>	<u>9,155,806</u>	<u>17,428,999</u>
	<u>\$ 40,733,849</u>	<u>\$ 29,413,076</u>	<u>\$ 70,146,925</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,100,000	\$ 1,245,525	\$ 2,345,525
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
2017-2021	15,771,243	5,443,433	21,214,676
2022-2026	17,278,775	13,189,225	30,468,000
2027-2031	13,860,059	22,644,941	36,505,000
2032-2033	<u>5,223,758</u>	<u>11,181,241</u>	<u>16,404,999</u>
	<u>\$ 60,533,835</u>	<u>\$ 58,138,415</u>	<u>\$118,672,250</u>

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, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 365,000	\$ 2,547,749	\$ 2,912,749
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
2017-2021	1,569,939	13,499,870	15,069,809
2022-2026	9,739,098	17,353,674	27,092,772
2027-2031	11,621,826	32,389,074	44,010,900
2032-2033	<u>18,426,113</u>	<u>53,218,042</u>	<u>71,644,155</u>
	<u>\$ 42,588,851</u>	<u>\$128,907,554</u>	<u>\$171,496,405</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Capital Lease

In May 2010, the District entered into a capital lease for the acquisition of 23 busses, totaling \$3,397,605. The following is a schedule of the future payments for the Capital lease:

<u>Year Ending June 30,</u>	<u>Payments</u>
2012	\$ 406,833
2013	406,833
2014	406,833
2016	406,833
2016	406,833
2017-2021	<u>1,220,500</u>
	3,254,665
Less amount representing interest	<u>(541,322)</u>
	<u><u>\$ 2,713,343</u></u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2011 is shown below:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Certificates of Participation	\$ 31,497,349		\$ 2,405,000	\$ 29,092,349	\$ 2,490,000
General Obligation Bonds	190,645,162		6,895,000	183,750,162	5,745,514
Accreted interest on General Obligation Bonds	17,802,574	\$ 4,699,734		22,502,308	
Capital lease	2,993,566		280,223	2,713,343	292,075
Other postemployment benefits (Note 8)	26,684,612		81,933	26,602,679	
Compensated absences	<u>836,136</u>		<u>2,920</u>	<u>833,216</u>	
Totals	<u>\$ 270,459,399</u>	<u>\$ 4,699,734</u>	<u>\$ 9,665,076</u>	<u>\$ 265,494,057</u>	<u>\$ 8,527,589</u>

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. NET ASSETS / FUND BALANCES

Restricted net assets consisted of the following at June 30, 2011:

	<u>Governmental Activities</u>
Restricted for revolving cash	\$ 85,000
Restricted for prepaid expenditures	1,568
Restricted for stores inventory	10,358
Restricted for unspent categorical program revenues	5,614,397
Restricted for special revenues	5,045,873
Restricted for capital projects	23,147,448
Restricted for debt service	<u>9,653,025</u>
	<u>\$ 43,557,669</u>
	<u>Business-Type Activities</u>
Restricted for student care center	<u>\$ 315,423</u>
	<u>Fiduciary Activities</u>
Restricted for retiree benefits	<u>\$ 5,584,260</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, 2011 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	1,568				1,568
Stores inventory				<u>10,358</u>	<u>10,358</u>
Subtotal nonspendable	<u>76,568</u>			<u>20,358</u>	<u>96,926</u>
Restricted:					
Unspent categorical revenues	5,614,397				5,614,397
Special revenue				5,045,873	5,045,873
Capital projects		\$ 28,758,659		7,640,525	36,399,184
Debt service			<u>\$ 9,653,025</u>		<u>9,653,025</u>
Subtotal restricted	<u>5,614,397</u>	<u>28,758,659</u>	<u>9,653,025</u>	<u>12,686,398</u>	<u>56,712,479</u>
Assigned:					
Board assigned	<u>16,274,425</u>				<u>16,274,425</u>
Unassigned:					
Designated for economic uncertainty	4,365,000				4,365,000
Undesignated	<u>507,836</u>				<u>507,836</u>
Subtotal unassigned	<u>4,872,836</u>				<u>4,872,836</u>
Total fund balances	<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>

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 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.707% 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, 2009, 2010 and 2011 were \$2,317,680, \$2,392,672 and \$2,596,139, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2010-2011 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, 2009, 2010 and 2011 were \$6,308,333, \$5,989,881 and \$5,746,737, 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	1,109,114
Adjustment to annual required contribution	<u>(2,344,412)</u>
Annual OPEB cost (expense)	620,538
Contributions made	<u>(702,471)</u>
Decrease in net OPEB obligation	(81,933)
Net OPEB obligation - beginning of year	<u>26,684,612</u>
Net OPEB obligation - end of year	<u><u>\$ 26,602,679</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, 2011 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, 2009	\$ 5,004,550	13%	\$ 23,379,435
June 30, 2010	\$ 3,985,164	17%	\$ 26,684,612
June 30, 2011	\$ 620,538	113%	\$ 26,602,679

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, 2011, the actuarial accrued liability for benefits was \$26,602,679. 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 and SIA as of June 30, 2011, and SPURR as of June 30, 2010 (the most recent information available):

	<u>SELF</u>	<u>SIA</u>	<u>SPURR</u>
Total assets	\$ 174,774,000	\$ 101,105,311	\$ 13,604,232
Total liabilities	\$ 141,524,000	\$ 41,804,380	\$ 7,841,831
Total revenue	\$ 9,165,000	\$ 43,906,093	\$ 37,110,968
Total expenses	\$ 12,425,000	\$ 37,968,010	\$ 37,334,283
Change in net assets	\$ (3,260,000)	\$ 5,938,083	\$ (223,315)
Net assets	\$ 33,250,000	\$ 59,300,931	\$ 5,762,401

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

10. CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2011

	<u>Budget</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Revenue limit sources:				
State apportionment	\$ 49,646,331	\$ 56,757,419	\$ 57,250,259	\$ 492,840
Local sources	<u>41,583,212</u>	<u>39,881,375</u>	<u>39,046,702</u>	<u>(834,673)</u>
Total revenue limit	<u>91,229,543</u>	<u>96,638,794</u>	<u>96,296,961</u>	<u>(341,833)</u>
Federal sources	9,074,813	13,842,528	11,315,138	(2,527,390)
Other state sources	27,089,905	29,651,798	29,136,849	(514,949)
Other local sources	<u>3,589,607</u>	<u>5,216,053</u>	<u>5,097,021</u>	<u>(119,032)</u>
Total revenues	<u>130,983,868</u>	<u>145,349,173</u>	<u>141,845,969</u>	<u>(3,503,204)</u>
Expenditures:				
Certificated salaries	69,603,914	68,705,486	68,217,700	487,786
Classified salaries	24,516,187	24,967,003	24,588,509	378,494
Employee benefits	23,013,918	23,358,172	22,999,699	358,473
Books and supplies	5,222,007	7,314,914	4,451,678	2,863,236
Contract services and operating expenditures	12,613,384	20,747,793	11,347,921	9,399,872
Capital outlay	258,016	345,677	301,042	44,635
Other outgo	237,784	259,000	199,973	59,027
Debt service:				
Principal retirement	409,587	282,977	280,223	2,754
Interest	<u> </u>	<u>126,610</u>	<u>126,610</u>	<u> </u>
Total expenditures	<u>135,874,797</u>	<u>146,107,632</u>	<u>132,513,355</u>	<u>13,594,277</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(4,890,929)</u>	<u>(758,459)</u>	<u>9,332,614</u>	<u>10,091,073</u>
Other financing sources (uses):				
Operating transfers in	670,816	794,471	988,645	194,174
Operating transfers out	<u>(1,312,531)</u>	<u>(1,806,049)</u>	<u>(2,036,620)</u>	<u>(230,571)</u>
Total other financing sources (uses)	<u>(641,715)</u>	<u>(1,011,578)</u>	<u>(1,047,975)</u>	<u>(36,397)</u>
Net change in fund balance	(5,532,644)	(1,770,037)	8,284,639	10,054,676
Fund balance, July 1, 2010	<u>18,553,587</u>	<u>18,553,587</u>	<u>18,553,587</u>	<u> </u>
Fund balance, June 30, 2011	<u>\$ 13,020,943</u>	<u>\$ 16,783,550</u>	<u>\$ 26,838,226</u>	<u>\$ 10,054,676</u>

The accompanying notes are an integral part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2011

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

The accompanying notes are an integral
part of these financial statements.

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.

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, 2011

	Charter School Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Projects Fund	Total
ASSETS									
Cash in County Treasury	\$ 103,986	\$ 734,607	\$ (902)	\$ 1,914,165	\$ 1,700,959	\$ 3,857,634	\$ 118	\$ 3,140,664	\$ 11,451,231
Cash on hand and in banks		6,686		277,053		1,330		11,663	296,732
Cash in revolving fund	10,000								10,000
Cash with Fiscal Agent						39,624			39,624
Receivables	200,210	18,261	60,037	366,608	1,474	23,534	(333)	5,023	674,814
Due from other funds	7,683	100,275	50,930		400,000	71,630	87,820	600,000	1,318,338
Stores inventory				10,358					10,358
Total assets	\$ 321,879	\$ 859,829	\$ 110,065	\$ 2,568,184	\$ 2,102,433	\$ 3,993,752	\$ 87,605	\$ 3,757,350	\$ 13,801,097
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		\$ 27,669	\$ 35,653	\$ 25,733	\$ 24,792	\$ 27,502	\$ 87,605		\$ 228,954
Due to other funds	\$ 194,367	198	18,094	55,010	514,643	83,075			865,387
Total liabilities	194,367	27,867	53,747	80,743	539,435	110,577	87,605		1,094,341
Fund balances:									
Nonspendable	10,000			10,358					20,358
Restricted	117,512	831,962	56,318	2,477,083	1,562,998	3,883,175		\$ 3,757,350	12,686,398
Total fund balances	127,512	831,962	56,318	2,487,441	1,562,998	3,883,175		3,757,350	12,706,756
Total liabilities and fund balances	\$ 321,879	\$ 859,829	\$ 110,065	\$ 2,568,184	\$ 2,102,433	\$ 3,993,752	\$ 87,605	\$ 3,757,350	\$ 13,801,097

The accompanying notes are an integral
part of these financial statements.

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, 2011

	Charter School Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Projects Fund	Total
Revenues:									
Revenue limit sources:									
State apportionment	\$ 432,211								\$ 432,211
Local sources	<u>314,379</u>								<u>314,379</u>
Total revenue limit	<u>746,590</u>								<u>746,590</u>
Federal sources		\$ 173,290	\$ 51,742	\$ 2,998,532					3,223,564
Other state sources	82,846		754,959	249,128			\$ 620,981		1,707,914
Other local sources	<u>662</u>	<u>401,387</u>	<u>68</u>	<u>1,504,706</u>	<u>\$ 7,006</u>	<u>\$ 1,905,164</u>		<u>\$ 535,805</u>	<u>4,354,798</u>
Total revenues	<u>830,098</u>	<u>574,677</u>	<u>806,769</u>	<u>4,752,366</u>	<u>7,006</u>	<u>1,905,164</u>	<u>620,981</u>	<u>535,805</u>	<u>10,032,866</u>
Expenditures:									
Certificated salaries	353,719	502,281	16,586						872,586
Classified salaries	33,388	138,982	490,454	1,793,979	95,202	521,389			3,073,394
Employee benefits	75,445	118,715	164,580	631,186	22,306	173,837			1,186,069
Books and supplies	60,684	60,401	66,710	1,628,613	118,251	25,359		1,668	1,961,686
Contract services and operating expenditures	198,084	40,862	156,921	319,078	250,680	212,224			1,177,849
Capital outlay		25,203	9,947		246,223	361,300	2,393,927		3,036,600
Debt service:									
Principal retirement			1,752	3,569		2,399,679			2,405,000
Interest			<u>973</u>	<u>1,981</u>		<u>1,237,213</u>			<u>1,240,167</u>
Total expenditures	<u>721,320</u>	<u>886,444</u>	<u>907,923</u>	<u>4,378,406</u>	<u>732,662</u>	<u>4,931,001</u>	<u>2,393,927</u>	<u>1,668</u>	<u>14,953,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,778</u>	<u>(311,767)</u>	<u>(101,154)</u>	<u>373,960</u>	<u>(725,656)</u>	<u>(3,025,837)</u>	<u>(1,772,946)</u>	<u>534,137</u>	<u>(4,920,485)</u>
Other financing sources (uses):									
Operating transfers in		666,434	7,007		1,054,449	162,117	1,772,946	300,000	3,962,953
Operating transfers out	<u>(25,000)</u>		<u>(38,703)</u>	<u>(936,914)</u>	<u>(500,000)</u>	<u>(442,430)</u>		<u>(600,000)</u>	<u>(2,543,047)</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>666,434</u>	<u>(31,696)</u>	<u>(936,914)</u>	<u>554,449</u>	<u>(280,313)</u>	<u>1,772,946</u>	<u>(300,000)</u>	<u>1,419,906</u>
Net change in fund balances	83,778	354,667	(132,850)	(562,954)	(171,207)	(3,306,150)		234,137	(3,500,579)
Fund balances, July 1, 2010	<u>43,734</u>	<u>477,295</u>	<u>189,168</u>	<u>3,050,395</u>	<u>1,734,205</u>	<u>7,189,325</u>		<u>3,523,213</u>	<u>16,207,335</u>
Fund balances, June 30, 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>\$ -</u>	<u>\$ 3,757,350</u>	<u>\$ 12,706,756</u>

The accompanying notes are an integral part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

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

ALL AGENCY FUNDS

For the Year Ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Deferred Compensation</u>				
Assets:				
Cash on hand and in banks	\$ 1,118,087	\$ 96,475	\$ 250,267	\$ 964,295
Deferred compensation				
Total assets	<u>\$ 1,118,087</u>	<u>\$ 96,475</u>	<u>\$ 250,267</u>	<u>\$ 964,295</u>
Liabilities:				
Deferred compensation	\$ 1,118,087	\$ 96,475	\$ 250,267	\$ 964,295
Due to student groups				
Total liabilities	<u>\$ 1,118,087</u>	<u>\$ 96,475</u>	<u>\$ 250,267</u>	<u>\$ 964,295</u>
<u>Student Body</u>				
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 604,340	\$ 2,349,891	\$ 2,273,828	\$ 680,403
Deferred compensation				
Total assets	<u>\$ 604,340</u>	<u>\$ 2,349,891</u>	<u>\$ 2,273,828</u>	<u>\$ 680,403</u>
Liabilities:				
Deferred compensation	\$ 604,340	\$ 2,349,891	\$ 2,273,828	\$ 680,403
Due to student groups				
Total liabilities	<u>\$ 604,340</u>	<u>\$ 2,349,891</u>	<u>\$ 2,273,828</u>	<u>\$ 680,403</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 263,182	\$ 457,085	\$ 487,675	\$ 232,592
Deferred compensation				
Total assets	<u>\$ 263,182</u>	<u>\$ 457,085</u>	<u>\$ 487,675</u>	<u>\$ 232,592</u>
Liabilities:				
Deferred compensation	\$ 263,182	\$ 457,085	\$ 487,675	\$ 232,592
Due to student groups				
Total liabilities	<u>\$ 263,182</u>	<u>\$ 457,085</u>	<u>\$ 487,675</u>	<u>\$ 232,592</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, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Student Body</u> (Continued)				
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 189,473	\$ 660,029	\$ 643,415	\$ 206,087
Deferred compensation				
Total assets	<u>\$ 189,473</u>	<u>\$ 660,029</u>	<u>\$ 643,415</u>	<u>\$ 206,087</u>
Liabilities:				
Deferred compensation				
Due to student groups	<u>\$ 189,473</u>	<u>\$ 660,029</u>	<u>\$ 643,415</u>	<u>\$ 206,087</u>
Total liabilities	<u>\$ 189,473</u>	<u>\$ 660,029</u>	<u>\$ 643,415</u>	<u>\$ 206,087</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,056,995	\$ 3,467,005	\$ 3,404,918	\$ 1,119,082
Deferred compensation	<u>1,118,087</u>	<u>96,475</u>	<u>250,267</u>	<u>964,295</u>
Total assets	<u>\$ 2,175,082</u>	<u>\$ 3,563,480</u>	<u>\$ 3,655,185</u>	<u>\$ 2,083,377</u>
Liabilities:				
Deferred compensation	\$ 1,118,087	\$ 96,475	\$ 250,267	\$ 964,295
Due to student groups	<u>1,056,995</u>	<u>3,467,005</u>	<u>3,404,918</u>	<u>1,119,082</u>
Total liabilities	<u>\$ 2,175,082</u>	<u>\$ 3,563,480</u>	<u>\$ 3,655,185</u>	<u>\$ 2,083,377</u>

The accompanying notes are an integral
part of these financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2011

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

GOVERNING BOARD

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

ADMINISTRATION

Deborah Bettencourt
Superintendent

Rhonda Crawford
Chief Financial Officer/CBO

Mark Rickabaugh
Assistant Superintendent, Elementary Instruction

Janie DeArcos
Assistant Superintendent, Secondary Instruction

Martin Baumann
Assistant Superintendent, Human Resources

Cher Koleszar
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, 2011

	<u>Original Second Period Report</u>	<u>Audited Second Period Report</u>	<u>Annual Report</u>
<u>Traditional Schools</u>			
Elementary:			
Kindergarten	1,332	1,322	1,321
First through Third	4,301	4,282	4,281
Fourth through Eighth	6,586	6,579	6,575
Special Education	410	403	404
Community Day School	26	27	28
Home and Hospital	<u>8</u>	<u>8</u>	<u>8</u>
Subtotal Elementary	<u>12,663</u>	<u>12,621</u>	<u>12,617</u>
Secondary:			
Regular Classes	4,675	4,675	4,662
Special Education	362	359	351
Continuation Education	237	237	234
Home and Hospital	8	8	9
Community Day School	<u>34</u>	<u>34</u>	<u>34</u>
Subtotal Secondary	<u>5,316</u>	<u>5,313</u>	<u>5,290</u>
District Total	<u><u>17,979</u></u>	<u><u>17,934</u></u>	<u><u>17,907</u></u>
<u>Folsom Community Charter School - Non-Classroom Based:</u>			
Kindergarten	15	15	15
First through Third	44	44	44
Fourth through Sixth	41	41	41
Seventh through Eighth	33	33	34
Special Education	<u>10</u>	<u>10</u>	<u>10</u>
	<u><u>143</u></u>	<u><u>143</u></u>	<u><u>144</u></u>

See accompanying notes to
supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2011

<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>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>							
Kindergarten	36,000	35,000	31,680	30,800	35,715	178	In Compliance
Grade 1	50,400	49,000	42,240	41,067	53,430	178	In Compliance
Grade 2	50,400	49,000	42,240	41,067	53,430	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	64,711	178	In Compliance
Grade 10	64,800	63,000	52,800	51,333	64,711	178	In Compliance
Grade 11	64,800	63,000	52,800	51,333	64,711	178	In Compliance
Grade 12	64,800	63,000	52,800	51,333	64,711	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, 2011

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<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	\$ 3,096,111
84.392	Special Education: ARRA IDEA Part B, Sec 619 Preschool Grants	15000	20,863
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	13682	171,471
84.391	Special Education: ARRA IDEA Part B, Sec 611, Basic Local Assistance	15003	1,489,206
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Sec 619	13431	1,368
84.173	Special Education: IDEA Preschool Grants, Part B Section 619 (Age 3-4-5)	13430	<u>88,450</u>
	Subtotal Special Education Cluster		<u>4,867,469</u>
	NCLB Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	2,328,474
84.389	NCLB: ARRA Title I Part A, Basic Grants Low Income and Neglected	15005	<u>361,066</u>
	Subtotal NCLB Title I Cluster		<u>2,689,540</u>
	NCLB Title II, Part D Cluster:		
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT) Formula Grants	15019	45,286
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	2,546
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology, Competitive Grants (EETT)	15126	<u>121,710</u>
	Subtotal NCLB Title II, Part D Cluster		<u>169,542</u>
84.048	Carl D.Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	87,801
84.323	Special Education: State Improvement Grant, Improving Special Ed Systems	14920	19,220
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	49,051

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2011

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	\$ 524,118
84.367	NCLB: Title II, Part A, Administrator Training	14344	4,397
84.410	Education Jobs Fund (SB 847)	25152	687,421
84.394	ARRA: State Fiscal Stabilization Fund (SFSF)	25008	1,251,064
84.365	NCLB (ESEA): Title III, Immigrant Education Program	15146	34,884
84.365	NCLB (ESEA): Title III, Limited English Proficient (LEP) Student Program	14346	272,140
84.002A	Adult Education: Adult Basic Education & ESL	14508	101,437
84.002	Adult Education: Adult Secondary Education	13978	35,013
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	<u>36,840</u>
	Total U.S. Department of Education		<u>10,921,682</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	83,287
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option	10013	50,983
93.778	Medi-Cal Medical Administrative Activities	10060	<u>13,859</u>
	Total U.S. Department of Health and Human Services		<u>148,129</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	51,087
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	<u>2,998,532</u>
	Total U.S. Department of Agriculture		<u>3,049,619</u>
	Total Federal Programs		<u><u>\$ 14,119,430</u></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, 2011

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, 2011

	(Budgeted) <u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 123,628,125	\$ 142,834,614	\$ 140,598,987	\$ 147,433,638
Expenditures	128,144,336	132,513,355	141,724,900	144,188,032
Other uses and transfers out	<u>1,314,075</u>	<u>2,036,620</u>	<u>1,971,312</u>	<u>1,000,000</u>
Total outgo	<u>129,458,411</u>	<u>134,549,975</u>	<u>143,696,212</u>	<u>145,188,032</u>
Changes in fund balance	<u>\$ (5,830,286)</u>	<u>\$ 8,284,639</u>	<u>\$ (3,097,225)</u>	<u>\$ 2,245,606</u>
Ending fund balance	<u>\$ 21,007,940</u>	<u>\$ 26,838,226</u>	<u>\$ 18,553,587</u>	<u>\$ 21,650,812</u>
Available reserves	<u>\$ 4,576,495</u>	<u>\$ 4,872,836</u>	<u>\$ 5,141,847</u>	<u>\$ 4,500,000</u>
Designated for economic uncertainties	<u>\$ 4,365,000</u>	<u>\$ 4,365,000</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
Undesignated fund balance	<u>\$ 211,495</u>	<u>\$ 507,836</u>	<u>\$ 641,847</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>3.5%</u>	<u>3.6%</u>	<u>3.6%</u>	<u>3.1%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$256,966,468</u>	<u>\$265,494,057</u>	<u>\$270,459,399</u>	<u>\$224,163,538</u>
Average daily attendance at P-2	<u>17,900</u>	<u>17,934</u>	<u>18,243</u>	<u>18,171</u>

The General Fund fund balance has increased by \$7,433,020 over the past three years. The fiscal year 2011-2012 budget projects a decrease of \$5,830,286. 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 2011-2012.

Total long-term liabilities have increased by \$41,330,519 over the past two years, primarily due to the issuance of General Obligation bonds during the fiscal year ended June 30, 2010.

Average daily attendance has decreased by 237 over the past two years. A decrease of 34 ADA is projected for the 2011-2012 fiscal year.

See accompanying notes to
supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2011

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</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, 2011

	<u>Academic and Support Services</u>
Revenues:	
Other local sources	\$ <u>404,845</u>
Expenditures:	
Certificated salaries	49,198
Classified salaries	149,184
Employee benefits	42,834
Books and supplies	53,948
Contract services and operating expenditures	78,674
Capital outlay	4,319
Indirect costs	<u>26,688</u>
	<u>404,845</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, 2011.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 14,538,702
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	181,785
Less: Medi-Cal Billing Funds not spent	93.778	<u>(601,057)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 14,119,430</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

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2011-2012 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenditures

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

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, 2011, 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, 2011. 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>
Regular and Special Day Classes	8	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
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

<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	1	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	3	No, see below

We did not perform any procedures related to Instructional Time for County Offices of Education 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 2010-2011 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, 2011. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2010-2011 Audit Guide relating to the comparison of tested data from the 2010-2011 fiscal year to the 2010-2011 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 with the state laws and regulations referred to above for the year ended June 30, 2011. 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
February 28, 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, 2011, and have issued our report thereon dated February 28, 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 2011-01.

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 responses 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.

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Crowe Horwath LLP

Sacramento, California
February 28, 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, 2011. 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, 2011.


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.

Crowe Horwath LLP

Sacramento, California
February 28, 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, 2011. 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, 2011.

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
February 28, 2012

FINDINGS AND RECOMMENDATIONS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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 ☒ No

Significant deficiency(ies) identified not considered to be material weakness(es)? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified not considered to be material weakness(es)? ☐ Yes ☒ 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 ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	NCLB: Title I Cluster (includes ARRA)
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)
84.318, 84.386	NCLB: Title II (EETT) Cluster (includes ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 423,583

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified not considered to be material weaknesses? ☐ Yes ☒ None reported

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, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-01 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At Cordova Meadows Elementary School:

- There was no evidence of a receipt book log for sub-receipt books issued to teachers.

At Rancho Cordova Elementary School:

- Cash receipts are not used during the initial collection of cash before being turned into the Office.
- There was no evidence of a receipt book log for sub-receipt books issued to teachers.

At Folsom High School:

- Receipts were not issued at the time when cash was received by the ASB office.
- Cash deposits were not made timely.
- Reconciliations were not being performed or evidence indicating that reconciliations being performed in a timely manner could not be obtained.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

The District should implement and enforce internal controls, including:

- Receipt logs should maintained for receipt books issued by the office.
- Receipts books should be issued to all student groups to ensure that all funds raised during an event are properly accounted for.
- Deposits should be made in a timely manner.
- Reconciliations should be prepared on a monthly basis by the office manager and reviewed by the Principal in a timely manner.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-01 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)
(Continued)

Corrective Action Plan

District personnel are developing procedures and performing site visits to ensure that site personnel understand ASB processes and procedures. Communications will include all Principals and their Administrators.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

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, 2011

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, 2011

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2010-01</p> <p>Liabilities were not properly accrued for on the District's general ledger.</p> <p>The District should reconcile all payables and estimated payables to the general ledger.</p>	Implemented.	
<p>2010-02</p> <p>At Cordova High School</p> <ul style="list-style-type: none"> • Purchases are not properly authorized. <p>At White Rock Elementary School</p> <ul style="list-style-type: none"> • Monthly financial reports are not being reviewed by Administrative personnel. <p>At Kinney High School</p> <ul style="list-style-type: none"> • Lack of segregation of duties within the cash receipt process. • Sales logs are not utilized to track sales items. • Cash receipt books are not turned in to the administrative staff in a timely manner. • A bank deposit log is not maintained for tracking deposits received by the bank courier. • No preparation and review of profit and loss statements for club activities. <p>The District should implement and enforce internal controls, including:</p> <ul style="list-style-type: none"> • Segregate the duties within the cash receipt and cash deposit process. • Utilize sales logs to track club sales and revenue generating activities. • Turn in receipts books in a timely manner. • Maintain a bank deposit log for bank deposits. • Prepare profit and loss statements for club activities. 	Partially implemented.	See current year finding 2011-01.