

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

COUNTY OF SACRAMENTO

FOLSOM, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	15
Statement of Fund Net Assets - Proprietary Fund - Student Care Center Fund	16
Statement of Revenues, Expenses and Change in Fund Net Assets - Proprietary Fund - Student Care Center Fund	17
Statement of Cash Flows - Proprietary Fund - Student Care Center Fund	18
Statement of Fiduciary Net Assets - Trust and Agency Funds	19
Statement of Revenues, Expenditures and Change in Fiduciary Net Assets - Trust Fund	20
Notes to Basic Financial Statements	21-41

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	42
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	43
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	44
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	45
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	46-47
Organization	48
Schedule of Average Daily Attendance	49
Schedule of Instructional Time	50
Schedule of Expenditure of Federal Awards	51-52
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	53
Schedule of Financial Trends and Analysis	54
Schedule of Charter Schools	55
Schedule of First 5 Revenues and Expenditures	56
Notes to Supplementary Information	57-58
Independent Auditor's Report on Compliance with State Laws and Regulations	59-61
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62-63

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Supplementary Information (Continued):	
Independent Auditor's Report on Compliance with the Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	64-65
Independent Auditor's Report on Compliance with Requirements Applicable to the First 5 Sacramento County Program and on Internal Control over Compliance in Accordance with A Program-Specific Audit	66-67
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	68-72
Status of Prior Year Findings and Recommendations	73-75

INDEPENDENT AUDITOR'S REPORT

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, 2010, 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 an opinion 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 opinion.

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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 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 read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT

(Continued)

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.

Patty - Smith CP

Sacramento, California
December 13, 2010



Management's Discussion & Analysis

The Management's 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, the Statement of Net Assets and the Statement of Activities, which begin on page 10. 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 12.

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-term* 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.

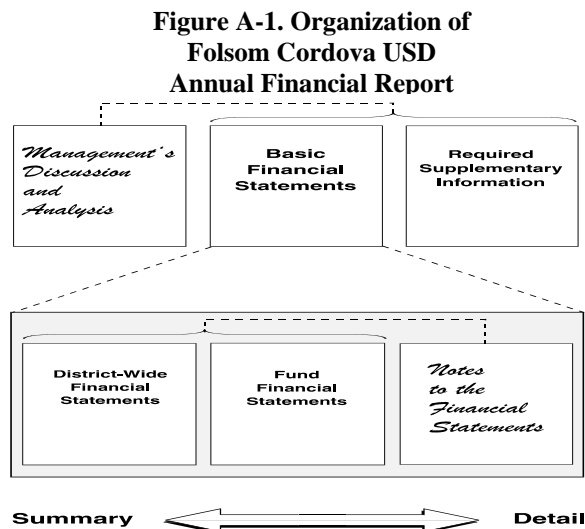


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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 Student Care Center is included here.

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

Statement of Net Assets

	All Funds		Percentage Change <u>2009-2010</u>
	Governmental Activities		
	<u>2009</u>	<u>2010</u>	
Current and other assets	\$ 94,178,464	\$ 116,922,924	
Capital assets	<u>404,305,062</u>	<u>416,978,480</u>	
Total assets	498,483,526	533,901,404	7.1%
Long-term debt outstanding	224,163,538	270,459,399	
Other liabilities	<u>6,784,291</u>	<u>7,914,655</u>	
Total liabilities	230,947,835	278,374,054	20.4%
Invested in capital assets, net of related debt	243,234,069	194,271,101	
Restricted	34,814,826	74,619,415	
Unrestricted	<u>-10,513,204</u>	<u>-13,363,166</u>	
Total net assets	\$ 267,535,691	\$ 255,527,350	-4.5%

Statement of Activities

	Governmental Activities	
	<u>2009</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,563,938	\$ 1,972,044
Operating Grants	37,426,666	32,172,458
Capital Grants and Contributions	0	1,258
General Revenues		
Property Taxes	52,807,635	53,333,416
Federal and State Aid	69,013,494	63,824,713
Other	<u>10,448,404</u>	<u>7,352,437</u>
Total Revenues	<u>172,260,137</u>	<u>158,656,326</u>
Program Expenses		
Instruction	107,493,865	105,402,333
Instruction Related Services	18,617,593	17,588,494
Pupil Services	15,887,945	15,577,519
Ancillary Services	2,164,371	2,122,019
Community Services	202,923	205,128
General Administration	8,435,938	8,101,431
Plant Services	13,859,423	11,138,164
Interest	9,140,281	10,199,800
Other	<u>1,047,854</u>	<u>329,779</u>
Total Expenses	<u>176,850,193</u>	<u>170,664,667</u>
Increase in Net Assets	(4,590,056)	(12,008,341)
Net Assets – Beginning	<u>272,125,747</u>	<u>267,535,691</u>
Net Assets – Ending	<u>\$ 267,535,691</u>	<u>\$ 255,527,350</u>

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Financial Condition of General Fund

Folsom Cordova Unified School District is striving to maintain its solid financial condition. Ending fund balance decreased due to the loss of one-time federal and state stimulus revenue received in 2008-09, and increased deficit factors on revenue limit funding. Other financing sources increased based on financing proceeds for the purchase of buses. The following table summarizes operational fund financial statements:

	General Fund		Percentage Change
	<u>2009</u>	<u>2010</u>	<u>2009-2010</u>
Total Revenues	\$ 147,022,033	\$ 136,896,857	-6.9%
Expenses	144,188,032	141,724,900	-1.7%
Other financing sources	-588,395	1,730,818	394.2%
Excess of revenues over expenses	\$ 2,245,606	\$ -3,097,225	-238.1%

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

Capital Assets

For the year ended June 30, 2010 the District has invested \$25,410,737 in modernization and new construction from the following combined sources for 2009-10. This represents an 11.7% increase over last year's amount of \$22,756,271.

	All Funds		Percentage Change <u>2009-2010</u>
	<u>2009</u>	<u>2010</u>	
Land	\$ 45,916,097	\$ 47,616,097	
Improvement of sites	15,268,240	24,562,776	
Buildings	220,503,691	232,889,037	
Equipment	16,345,627	21,205,995	
Work-in-process	<u>214,968,717</u>	<u>212,139,204</u>	
Total	\$ 513,002,372	\$ 538,413,109	5.0%

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.

District Indebtedness

At year-end, the District has incurred \$270,459,399 of long-term debt. Of that, \$208,447,736 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. The District sold \$64 million in bonds in October 2007 and \$44 million in October 2009 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 fund a wide variety of projects throughout the existing campuses in Rancho Cordova.

	Governmental Activities		Percentage Change <u>2009-2010</u>
	<u>2009</u>	<u>2010</u>	
Compensated absences	\$ 925,419	\$ 836,136	
Certificates of participation	33,822,349	31,497,349	
General obligation bonds	166,036,335	208,447,736	
Capital lease		2,993,566	
Post-employment medical benefits	<u>23,379,435</u>	<u>26,684,612</u>	
Total	\$ 224,163,538	\$ 270,459,399	20.7%

Cost of Governmental Services

For the year ended June 30, 2010 the District's cost of operation was \$139,113,997. Total District expenditures were \$5,074,035 less than the previous year due to District-wide budget reductions and an intensive effort to reduce spending.

	General Fund		Percentage Change <u>2009-2010</u>
	<u>2009</u>	<u>2010</u>	
Instruction	\$ 108,758,534	\$ 103,986,298	
Pupil services	11,155,984	14,262,784	
Ancillary services	2,149,255	2,117,357	
Community services	202,923	205,128	
General Administration	6,781,857	6,720,987	
Plant Services	13,770,331	13,489,310	
Other Outgo	<u>1,369,148</u>	<u>943,036</u>	
Total	\$ 144,188,032	\$ 141,724,900	-1.7 %

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>2010</u>	Actual <u>2010</u>	Percentage <u>Variance</u>
Revenues			
Revenue Limit	\$ 91,098,185	\$ 91,048,969	
Federal Revenues	12,761,989	11,218,544	
State Revenues	28,001,183	29,601,519	
Local Revenues	<u>5,149,761</u>	<u>5,027,825</u>	
Total Revenues	137,011,118	136,896,857	-0.1%
Expenditures			
Salaries & Benefits	120,839,970	120,250,736	
Books & Supplies	5,326,434	5,336,032	
Services & Other Operating	12,893,532	11,528,462	
Capital Outlay/Other Outgo	<u>4,719,467</u>	<u>4,609,670</u>	
Total Expenditures	\$ 143,369,816	\$ 141,724,900	-1.1%

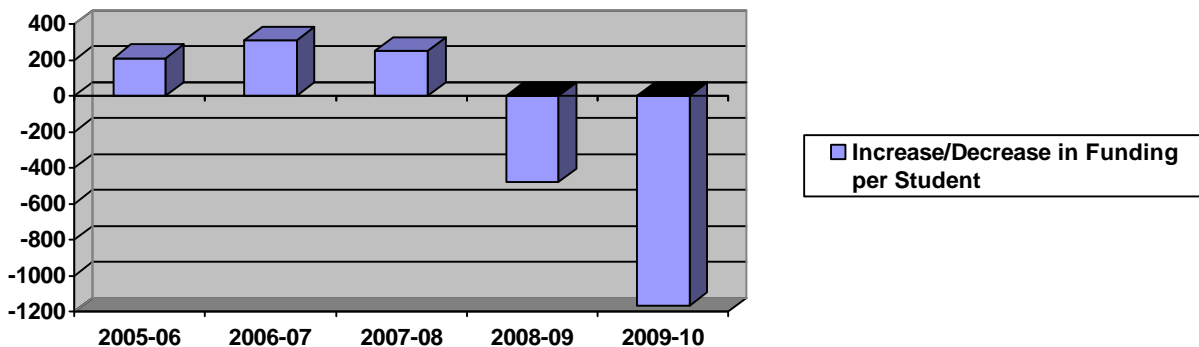
Total budgeted revenues were \$114,261 higher than actual revenues received. State revenues were higher and federal revenues were lower than budgeted due to the deferral of categorical revenues and reduction of additional federal stimulus funding. Local revenues were lower due to reduced donations received by the school sites. Total expenditures were \$2,051,749 less than budgeted due to higher than expected carryovers in federal grants, state grants, and operating budgets; and bus payments deferred to 2010-11.

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 continues to decrease significantly as state revenues continue to weaken. The table below shows a five year trend in state school funding.

Increase/Decrease in Per Pupil Funding



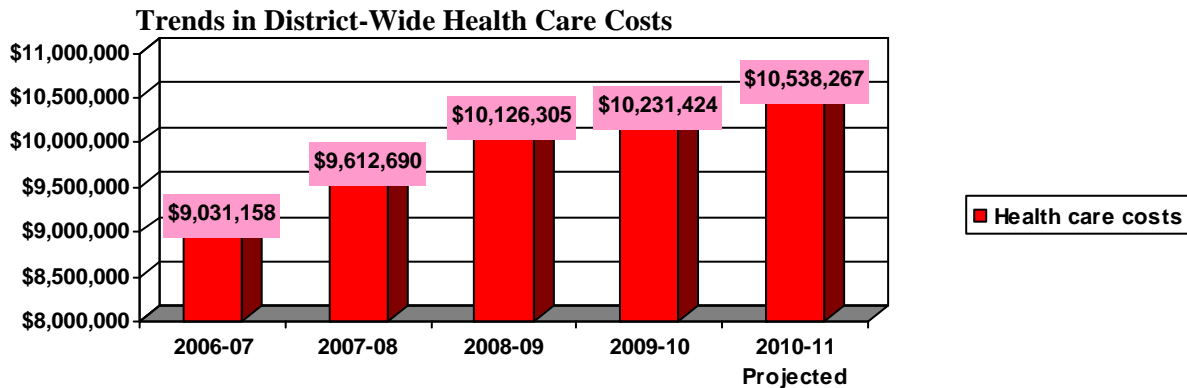
State Budget Shortfall

The state borrowed significant funds to continue reduced spending levels. The state deferred paying for certain school programs until after July 1, 2010.

Program	Apportionments for Folsom Cordova USD	Dollar Amount Deferred for Folsom Cordova USD
School Safety and Violence Prevention	\$.28 million	\$.11 million
Home-to-School & Special Ed Transportation	\$ 1.18 million	\$.12 million
GATE	\$.16 million	\$.04 million
P-2 Apportionments (including hourly programs, Class Size Reduction and Community Day School)		\$10.20 million
Total Amount of Apportionments Delayed Until 2010-11		\$10.47 million

Health Care Cost Trends

District-Wide Health Care costs have been growing and continue to do so in this budget year. The 5% average annual increase is due to increased costs for medical premiums, and additional positions for growth and special education program staffing. The graph below shows the trends:



Categorical Funding

As school revenues increased during the boom times of the late 1990’s, the funds came to schools with strings attached. As we moved into constrained economic times, we found these constraints made it difficult to maintain our basic programs. The state has now given broad categorical flexibility in many categorical programs to help schools manage cuts as a result of the economic downturn.

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

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

Contacting the District’s Financial Management

If you have questions regarding this report or need additional financial information, contact Rhonda Crawford, CFO/CBO, (916) 355-1111, ext. 114.

BASIC FINANCIAL STATEMENTS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 97,108,909	\$ 769,005	\$ 97,877,914
Accounts receivable	19,750,327	2,260	19,752,587
Due from (to) other funds (Note 3)	51,174	(51,174)	
Prepaid expenditures	1,568	3,249	4,817
Stores inventory	10,946		10,946
Capital assets, net of accumulated depreciation (Note 4)	<u>416,978,480</u>		<u>416,978,480</u>
Total assets	<u>533,901,404</u>	<u>723,340</u>	<u>534,624,744</u>
LIABILITIES			
Accounts payable	5,203,243	35,394	5,238,637
Deferred revenue	2,711,412		2,711,412
Long-term liabilities (Note 5):			
Due within one year	9,580,223		9,580,223
Due after one year	<u>260,879,176</u>		<u>260,879,176</u>
Total liabilities	<u>278,374,054</u>	<u>35,394</u>	<u>278,409,448</u>
NET ASSETS			
Invested in capital assets, net of related debt	194,271,101		194,271,101
Restricted (Note 6)	74,619,415	687,946	75,307,361
Unrestricted	<u>(13,363,166)</u>		<u>(13,363,166)</u>
Total net assets	<u>\$ 255,527,350</u>	<u>\$ 687,946</u>	<u>\$ 256,215,296</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, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities (Note 4):							
Instruction	\$ 105,402,333	\$ 4,847	\$ 20,289,239	\$ 1,258	\$ (85,106,989)		\$ (85,106,989)
Instruction-related services:							
Supervision of instruction	6,210,772	1,335	1,984,700		(4,224,737)		(4,224,737)
Instructional library, media and technology	615,644		2,304		(613,340)		(613,340)
School site administration	10,762,078	36	367,458		(10,394,584)		(10,394,584)
Pupil services:							
Home-to-school transportation	4,062,766	248,260	1,054,671		(2,759,835)		(2,759,835)
Food services	4,295,696	1,499,394	2,988,572		192,270		192,270
All other pupil services	7,219,057	1,280	2,084,856		(5,132,921)		(5,132,921)
General administration:							
Data processing	1,690,099				(1,690,099)		(1,690,099)
All other general administration	6,411,332	70,841	1,750,925		(4,589,566)		(4,589,566)
Plant services	11,138,164	36,621	236,550		(10,864,993)		(10,864,993)
Ancillary services	2,122,019	3,543	706,315		(1,412,161)		(1,412,161)
Community services	205,128				(205,128)		(205,128)
Enterprise activities	(15,763)				15,763		15,763
Interest on long-term liabilities	10,199,800				(10,199,800)		(10,199,800)
Other outgo	345,542	105,887	706,868		467,213		467,213
Business-type activities:							
Enterprise activities	<u>1,976,625</u>					<u>\$ (1,976,625)</u>	<u>(1,976,625)</u>
Total governmental and business-type activities	<u>\$ 172,641,292</u>	<u>\$ 1,972,044</u>	<u>\$ 32,172,458</u>	<u>\$ 1,258</u>	<u>(136,518,907)</u>	<u>(1,976,625)</u>	<u>(138,495,532)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					41,555,411		41,555,411
Taxes levied for debt service					11,444,132		11,444,132
Taxes levied for other specific purposes					333,873		333,873
Federal and state aid not restricted to specific purposes					63,824,713		63,824,713
Interest and investment earnings					776,450	7,270	783,720
Interagency revenues					298,422		298,422
Miscellaneous					5,887,887	2,192,591	8,080,478
Internal transfers					<u>389,678</u>	<u>(389,678)</u>	
Total general revenues					<u>124,510,566</u>	<u>1,810,183</u>	<u>126,320,749</u>
Change in net assets					(12,008,341)	(166,442)	(12,174,783)
Net assets, July 1, 2009,					<u>267,535,691</u>	<u>854,388</u>	<u>268,390,079</u>
Net assets, June 30, 2010					<u>\$ 255,527,350</u>	<u>\$ 687,946</u>	<u>\$ 256,215,296</u>

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 6,089,734	\$ 44,163,405	\$ 25,602,131	\$ 75,855,270
Cash on hand and in banks	429,307		508,060	937,367
Cash in revolving fund	75,000		10,000	85,000
Cash with Fiscal Agent		20,231,272		20,231,272
Accounts receivable	18,560,450	235,277	954,600	19,750,327
Due from other funds	181,469	266,126	1,487,425	1,935,020
Prepaid expenditures	1,568			1,568
Stores inventory			10,946	10,946
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 25,337,528</u>	<u>\$ 64,896,080</u>	<u>\$ 28,573,162</u>	<u>\$ 118,806,770</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,563,217	\$ 978,755	\$ 219,790	\$ 4,761,762
Deferred revenue	2,452,784		258,628	2,711,412
Due to other funds	767,940	21,787	1,094,119	1,883,846
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>6,783,941</u>	<u>1,000,542</u>	<u>1,572,537</u>	<u>9,357,020</u>
Fund balances:				
Reserved for:				
Revolving fund	75,000		10,000	85,000
Prepaid expenditures	1,568			1,568
Stores inventory			10,946	10,946
Unspent categorical revenue	3,877,956			3,877,956
Unreserved, reported in:				
General Fund	14,599,063			14,599,063
Special Revenue Funds			5,473,851	5,473,851
Capital Projects Funds		63,895,538	10,712,538	74,608,076
Debt Service Funds			10,793,290	10,793,290
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>18,553,587</u>	<u>63,895,538</u>	<u>27,000,625</u>	<u>109,449,750</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 25,337,528</u>	<u>\$ 64,896,080</u>	<u>\$ 28,573,162</u>	<u>\$ 118,806,770</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, 2010

Total fund balances - Governmental Funds		\$ 109,449,750
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 \$538,413,109 and the accumulated depreciation is \$121,434,629 (Note 4).		
		416,978,480
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, 2010 consisted of (Note 5):		
Certificates of Participation	\$ (31,497,349)	
General Obligation Bonds	(190,645,162)	
Accreted interest	(17,802,574)	
Capital Lease	(2,993,566)	
Other postemployment benefits (Note 8)	(26,684,612)	
Compensated absences	<u>(836,136)</u>	
		(270,459,399)
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.		
		<u>(441,481)</u>
Total net assets - governmental activities		<u>\$ 255,527,350</u>

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, 2010

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 49,741,994		\$ 362,265	\$ 50,104,259
Local sources	<u>41,306,975</u>		<u>242,022</u>	<u>41,548,997</u>
Total revenue limit	<u>91,048,969</u>		<u>604,287</u>	<u>91,653,256</u>
Federal sources	11,218,544		3,161,862	14,380,406
Other state sources	29,601,519		1,332,688	30,934,207
Other local sources	<u>5,027,825</u>	<u>\$ 587,727</u>	<u>17,021,393</u>	<u>22,636,945</u>
Total revenues	<u>136,896,857</u>	<u>587,727</u>	<u>22,120,230</u>	<u>159,604,814</u>
Expenditures:				
Certificated salaries	71,092,354		863,248	71,955,602
Classified salaries	25,583,549	9,314	3,137,134	28,729,997
Employee benefits	23,574,833	1,206	1,184,414	24,760,453
Books and supplies	5,336,032	14,012	1,811,787	7,161,831
Contract services and operating expenditures	11,528,462	832,021	670,374	13,030,857
Capital outlay	3,857,295	19,559,338	1,797,228	25,213,861
Other outgo	345,542			345,542
Debt service:				
Principal retirement	404,039		8,045,000	8,449,039
Interest	<u>2,794</u>		<u>6,234,251</u>	<u>6,237,045</u>
Total expenditures	<u>141,724,900</u>	<u>20,415,891</u>	<u>23,743,436</u>	<u>185,884,227</u>
Deficiency of revenues under expenditures	<u>(4,828,043)</u>	<u>(19,828,164)</u>	<u>(1,623,206)</u>	<u>(26,279,413)</u>
Other financing sources (uses):				
Operating transfers in	304,525	100,000	3,380,116	3,784,641
Operating transfers out	(1,971,312)	(791,578)	(632,073)	(3,394,963)
Proceeds from issuance of debt	3,397,605	44,138,851		47,536,456
Other financing sources		2,046,398		2,046,398
Other financing uses		<u>(1,401,260)</u>		<u>(1,401,260)</u>
Total other financing sources (uses)	<u>1,730,818</u>	<u>44,092,411</u>	<u>2,748,043</u>	<u>48,571,272</u>
Net change in fund balances	(3,097,225)	24,264,247	1,124,837	22,291,859
Fund balances, July 1, 2009	<u>21,650,812</u>	<u>39,631,291</u>	<u>25,875,788</u>	<u>87,157,891</u>
Fund balances, June 30, 2010	<u>\$ 18,553,587</u>	<u>\$ 63,895,538</u>	<u>\$ 27,000,625</u>	<u>\$ 109,449,750</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, 2010

Net change in fund balances - Total Governmental Funds		\$ 22,291,859
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).	\$ 25,410,737	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(12,737,319)	
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).	(47,536,456)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	8,449,039	
Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).	(3,992,550)	
Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental funds, but recognized on an accrual basis in the statement of net assets (Note 5).	(3,305,177)	
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the related debt.	(645,138)	
Amortization of debt issue costs are not financial uses and therefore, are not reported as expenditures in the governmental funds	(62,414)	
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.	29,795	
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).	89,283	(34,300,200)
Change in net assets of governmental activities		<u><u>\$ (12,008,341)</u></u>

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, 2010

ASSETS

Cash in County Treasury	\$ 679,622
Cash in banks	89,383
Accounts receivable	2,260
Prepaid expenditures	<u>3,249</u>
Total assets	<u>774,514</u>

LIABILITIES

Accounts payable	35,394
Due to other funds	<u>51,174</u>
Total liabilities	<u>86,568</u>

NET ASSETS

Net assets - restricted	<u><u>\$ 687,946</u></u>
-------------------------	--------------------------

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, 2010

Operating revenues:	
Children Center fees	\$ 2,190,582
Other local revenues	<u>2,008</u>
Total operating revenues	<u>2,192,590</u>
Operating expenses:	
Certificated salaries	56,625
Classified salaries	1,221,626
Employee benefits	403,943
Books and supplies	125,843
Contract services and operating expenses	<u>168,610</u>
Total operating expenses	<u>1,976,647</u>
Operating income	215,943
Non-operating income:	
Interest income	7,293
Non-operating expense:	
Transfers to other funds	<u>(389,678)</u>
Change in net assets	(166,442)
Net assets, July 1, 2009	<u>854,388</u>
Net assets, June 30, 2010	<u><u>\$ 687,946</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, 2010

Cash flows from operating activities:	
Cash received for children center fees	\$ 2,194,855
Cash paid for employee benefits and operating expenses	<u>(1,974,567)</u>
Net cash provided by operating activities	220,288
Cash flows used in financing activities:	
Transfer to other funds	(341,154)
Cash flows provided by investing activities:	
Interest income	<u>7,293</u>
Change in cash and cash equivalents	(113,573)
Cash and cash equivalents, July 1, 2009	<u>882,578</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ 769,005</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 215,943</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in:	
Accounts receivable	2,265
Prepaid expenditures	(912)
Increase in:	
Accounts payable	<u>2,992</u>
Total adjustments	<u>4,345</u>
Net cash provided by operating activities	<u><u>\$ 220,288</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, 2010

	<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	\$ 5,578,499			\$ 5,578,499
Cash on hand and in banks			\$ 1,056,995	1,056,995
Deferred compensation		\$ 1,118,087		1,118,087
Accounts receivable	<u>16,248</u>			<u>16,248</u>
Total assets	<u>5,594,747</u>	<u>1,118,087</u>	<u>1,056,995</u>	<u>7,769,829</u>
LIABILITIES				
Accounts payable	10,487			10,487
Deferred compensation		1,118,087		1,118,087
Due to student groups			<u>1,056,995</u>	<u>1,056,995</u>
Total liabilities	<u>10,487</u>	<u>1,118,087</u>	<u>1,056,995</u>	<u>2,185,569</u>
NET ASSETS				
Restricted (Note 6)	<u>\$ 5,584,260</u>	<u>\$ -</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, 2010

	<u>Retiree Benefit</u>
Revenues:	
Local sources	<u>\$ 1,084,240</u>
Expenditures:	
Contract services and operating expenditures	<u>679,988</u>
Change in net assets	404,252
Net assets, July 1, 2009	<u>5,180,008</u>
Net assets, June 30, 2010	<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 generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. 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.

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The original adopted and final revised budget for the General Fund are presented as Required Supplementary Information.

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 \$1,587,562. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Compensated Absences

Compensated absences totaling \$836,136 are recorded as a liability of the District.

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.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010 consisted of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 75,855,270	\$ 679,622	\$ 5,578,499
Deposits:			
Cash on hand and in banks	937,367	89,383	1,056,995
Cash in revolving fund	85,000		
Investments:			
Cash with Fiscal Agent	20,231,272		
Deferred compensation			<u>1,118,087</u>
Total	<u>\$ 97,108,909</u>	<u>\$ 769,005</u>	<u>\$ 7,753,581</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.

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, 2010, the Sacramento County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured by the Federal Depository Insurance Corporation (FDIC). At June 30, 2010, the carrying amount of the District's accounts was \$2,168,745, and the bank balances were \$2,144,302. Differences between bank balances and book balances are due to deposits in transit at June 30, 2010 included in accounts receivable. Of the bank balances, \$298,040 was covered by the FDIC insurance and \$1,846,262 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable laws.

Investments

Investments at June 30, 2010 consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash with Fiscal Agent	\$ 20,231,272	\$ 20,231,272
Deferred compensation	<u>1,118,087</u>	<u>1,118,087</u>
	<u>\$ 21,349,359</u>	<u>\$ 21,349,359</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.

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, 2010, 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, 2010, the District had no concentration of credit risk.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2010 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General	\$ 181,469	\$ 767,940
Building	266,126	21,787
Non-Major Governmental Funds:		
Charter School		49,498
Adult Education	132	
Child Development		13,993
Cafeteria	30,877	155,858
Deferred Maintenance	325,457	
Capital Facilities	719,358	57
County School Facilities	95,997	380,593
Special Reserve for Capital Projects	315,604	494,120
Proprietary Fund:		
Student Care Center		51,174
Totals	\$ 1,935,020	\$ 1,935,020

Interfund Transfers

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Interfund transfers for the 2009-2010 fiscal year were as follows:

Transfer from the General Fund to County School Facilities Fund for program contributions.	\$ 3,177
Transfer from the General Fund to the Adult Education Fund for General Fund for direct and indirect support costs.	599,626
Transfer from the General Fund to the Special Reserve Capital Projects Fund for facilities rental.	315,604
Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of Deferred Maintenance Funding.	1,052,905
Transfer from the Building Fund to the Capital Facilities Fund for portable classrooms.	186,389
Transfer from the Building Fund to the County School Facilities Fund to temporarily cover expenditures related to Mather and Morrison schools.	605,189
Transfer from the Child Development Fund to the General Fund for indirect costs.	33,412
Transfer from the Cafeteria Fund to the General Fund for direct and indirect support costs.	172,548
Transfer from the Cafeteria Fund to the Building Fund for Cordova Villa kitchen construction.	100,000
Transfer from the Capital Facilities Fund to the County School Facilities Fund to temporarily cover expenditures related to Russell, Vista del Lago and Mather schools.	188,482
Transfer from the Capital Facilities Fund to the County Schools Facilities Fund for temporary transfer for Navigator school.	1,257
Transfer from the County School Facilities Fund to the Capital Facilities Fund to reverse part of the temporary transfer.	113,749
Transfer from the Special Reserve for Capital Projects Fund to the Capital Facilities Fund for COP proceeds.	22,625
Transfer from the Student Care Center to the General Fund for direct and indirect support costs.	98,565
Transfer from the Student Care Fund to the Capital Facilities Fund to pay for the Student Care portable.	<u>291,113</u>
	<u>\$ 3,784,641</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Additions	Deductions and Transfers	Balance June 30, 2010
Non-depreciable:				
Land	\$ 45,916,097	\$ 1,700,000		\$ 47,616,097
Work-in-process	214,968,717	8,524,254	\$ (11,353,767)	212,139,204
Depreciable:				
Improvement of sites	15,268,240	9,294,536		24,562,776
Buildings	220,503,691	1,031,579	11,353,767	232,889,037
Equipment	<u>16,345,627</u>	<u>4,860,368</u>		<u>21,205,995</u>
Totals, at cost	<u>513,002,372</u>	<u>25,410,737</u>		<u>538,413,109</u>
Less accumulated depreciation:				
Improvement of sites	(13,319,514)	(10,142,267)		(23,461,781)
Buildings	(88,413,385)	(1,775,886)		(90,189,271)
Equipment	<u>(6,964,411)</u>	<u>(819,166)</u>		<u>(7,783,577)</u>
Total accumulated depreciation	<u>(108,697,310)</u>	<u>(12,737,319)</u>		<u>(121,434,629)</u>
Governmental activities capital assets, net	<u>\$ 404,305,062</u>	<u>\$ 12,673,418</u>	<u>\$ -</u>	<u>\$ 416,978,480</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 12,032,032
Supervision of instruction	11,407
Instructional library, media and technology	18,667
School site administration	49,177
Home-to-school transportation	477,992
Food services	42,658
All other pupil services	35,104
Ancillary services	3,774
All other general administration	14,316
Data processing	24,199
Plant services	<u>27,993</u>
Total depreciation expense	<u>\$ 12,737,319</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES

Certificates of Participation

In 1991, the District issued \$3,815,000 in Certificates of Participation for the Folsom Cordova Unified School District 1991 Financing Project.

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 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 2021, and have interest rates ranging from 3.50% to 4.20%.

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

<u>Year Ending June 30,</u>	<u>Payments</u>
2011	\$ 3,645,166
2012	3,643,791
2013	3,561,841
2014	3,554,866
2015	3,557,939
2016-2020	17,784,661
2021-2025	<u>3,975,133</u>
	39,723,397
Less amount representing interest	<u>(8,226,048)</u>
	<u>\$ 31,497,349</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

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

The annual payments required to amortize the 1998 General Obligation Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 770,000	\$ 35,612	\$ 805,612
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
2016-2020	1,759,028	3,045,972	4,805,000
2021-2025	<u>926,787</u>	<u>2,253,213</u>	<u>3,180,000</u>
	<u>\$ 5,086,455</u>	<u>\$ 7,144,157</u>	<u>\$ 12,230,612</u>

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

The annual payments required to amortize the 2002 General Obligation Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,310,000	\$ 1,089,210	\$ 3,399,210
2012	2,465,000	1,002,584	3,467,584
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
2016-2020	13,428,002	6,470,980	19,898,982
2021-2025	7,358,126	14,961,874	22,320,000
2026-2030	<u>3,771,044</u>	<u>10,913,956</u>	<u>14,685,000</u>
	<u>\$ 37,887,172</u>	<u>\$ 36,782,319</u>	<u>\$ 74,669,491</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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

The annual payments required to amortize the 2004 General Obligation Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,270,000	\$ 1,638,025	\$ 2,908,025
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
2016-2020	11,235,000	5,867,063	17,102,063
2021-2025	12,971,510	6,209,453	19,180,963
2026-2030	<u>10,227,339</u>	<u>11,314,910</u>	<u>21,542,249</u>
	<u>\$ 42,003,849</u>	<u>\$ 31,051,102</u>	<u>\$ 73,054,951</u>

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

The annual payments required to amortize the 2007 General Obligation Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 995,000	\$ 1,285,325	\$ 2,280,325
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
2016-2020	14,576,923	5,104,127	19,681,050
2021-2025	17,885,156	10,746,344	28,631,500
2026-2030	14,210,715	21,374,285	35,585,000
2031-2035	<u>7,861,041</u>	<u>16,218,958</u>	<u>24,079,999</u>
	<u>\$ 61,528,835</u>	<u>\$ 59,423,739</u>	<u>\$ 120,952,574</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In October 2009, the District issued current interest and capital appreciation General Obligation Bonds in an aggregate principal amount of \$44,138,852 maturing through October 2032, with interest rates from 2.00% to 6.50%.

The annual payments required to amortize the 2009 General Obligation Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,550,000	\$ 4,426,899	\$ 5,976,899
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
2016-2020	1,085,997	11,826,147	12,912,144
2021-2025	8,553,942	15,694,068	24,248,010
2026-2030	10,739,449	30,094,444	40,833,893
2031-2035	<u>21,102,588</u>	<u>61,341,626</u>	<u>82,444,214</u>
	<u>\$ 44,138,851</u>	<u>\$133,334,454</u>	<u>\$177,473,305</u>

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>
2011	\$ 406,833
2012	406,833
2013	406,833
2014	406,833
2015	406,833
2016-2020	<u>1,627,332</u>
	3,661,497
Less amount representing interest	<u>(667,931)</u>
	<u>\$ 2,993,566</u>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
Certificates of Participation	\$ 33,822,349		\$ 2,325,000	\$ 31,497,349	\$ 2,405,000
General Obligation Bonds	152,226,311	\$ 44,138,851	5,720,000	190,645,162	6,895,000
Accreted interest on General Obligation Bonds	13,810,024	3,992,550		17,802,574	
Capital Lease		3,397,605	404,039	2,993,566	280,223
Other postemployment benefits (Note 8)	23,379,435	3,985,164	679,987	26,684,612	
Compensated absences	<u>925,419</u>		<u>89,283</u>	<u>836,136</u>	
Totals	<u>\$ 224,163,538</u>	<u>\$ 55,514,170</u>	<u>\$ 9,218,309</u>	<u>\$ 270,459,399</u>	<u>\$ 9,580,223</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.

6. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2010:

	<u>Governmental Activities</u>
Restricted for revolving cash	\$ 85,000
Restricted for prepaid expenditures	1,568
Restricted for stores inventory	10,946
Restricted for unspent categorical program revenues	3,877,956
Restricted for capital projects	54,376,804
Restricted for debt service	10,793,290
Restricted for special revenues	<u>5,473,851</u>
	<u>\$ 74,619,415</u>
	<u>Business-Type Activities</u>
Restricted for student care center	<u>\$ 687,946</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)

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).

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 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709% 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, 2008, 2009 and 2010 were \$2,213,466, \$2,317,680 and \$2,392,672, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2009-2010 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, 2008, 2009 and 2010 were \$6,357,682, \$6,308,333 and \$5,989,881, 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 and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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	\$ 3,049,987
Interest on net OPEB obligation	935,177
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	3,985,164
Contributions made	<u>(679,987)</u>
Increase in net OPEB obligation	3,305,177
Net OPEB obligation - beginning of year	<u>23,379,435</u>
Net OPEB obligation - end of year	<u>\$ 26,684,612</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, 2010 was as follows (dollar amounts in thousands):

<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

As of March 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$23,379,435, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,379,435. The covered payroll (annual payroll of active employees covered by the Plan) was \$105.8 million, and the ratio of the UAAL to the covered payroll was 22.1 percent.

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 March 1, 2009 actuarial valuation, the entry age 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 8.2 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 10 years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AGREEMENTS

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

The following is a summary of condensed financial information of SELF, SIA, and SPURR as of June 30, 2009 (the most recent information available):

	<u>SELF</u>	<u>SIA</u>	<u>SPURR</u>
Total assets	\$ 209,217,000	\$ 101,105,311	\$ 18,870,000
Total liabilities	\$ 161,555,000	\$ 41,804,380	\$ 12,884,000
Total revenue	\$ 26,645,000	\$ 43,906,093	\$ 49,707,000
Total expenses	\$ 27,701,000	\$ 37,968,010	\$ 48,434,000
Change in net assets	\$ (1,056,000)	\$ 5,938,083	\$ 1,273,000
Net assets	\$ 47,662,000	\$ 59,300,931	\$ 5,986,000

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. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations for the year ended June 30, 2010 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Books and supplies	\$ 9,598

These excesses are not in accordance with Education Code 42600.

11. 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 on the District's financial position.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. SUBSEQUENT EVENTS

The District has reviewed all events occurring from June 30, 2010 through December 13, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 52,382,696	\$ 49,201,803	\$ 49,741,994	\$ 540,191
Local sources	<u>43,616,051</u>	<u>41,896,382</u>	<u>41,306,975</u>	<u>(589,407)</u>
Total revenue limit	<u>95,998,747</u>	<u>91,098,185</u>	<u>91,048,969</u>	<u>(49,216)</u>
Federal sources	15,131,680	12,761,989	11,218,544	(1,543,445)
Other state sources	26,486,603	28,001,183	29,601,519	1,600,336
Other local sources	<u>3,691,592</u>	<u>5,149,761</u>	<u>5,027,825</u>	<u>(121,936)</u>
Total revenues	<u>141,308,622</u>	<u>137,011,118</u>	<u>136,896,857</u>	<u>(114,261)</u>
Expenditures:				
Certificated salaries	71,029,682	71,425,117	71,092,354	332,763
Classified salaries	26,219,125	25,595,887	25,583,549	12,338
Employee benefits	23,771,686	23,818,966	23,574,833	244,133
Books and supplies	7,406,539	5,326,434	5,336,032	(9,598)
Contract services and operating expenditures	14,286,746	12,893,532	11,528,462	1,365,070
Capital outlay	220,152	3,921,330	3,857,295	64,035
Other outgo		388,550	345,542	43,008
Debt service:				
Principal retirement	404,039	404,581	404,039	542
Interest	<u>5,006</u>	<u>5,006</u>	<u>2,794</u>	<u>2,212</u>
Total expenditures	<u>143,342,975</u>	<u>143,369,816</u>	<u>141,724,900</u>	<u>2,051,749</u>
Deficiency of revenues under expenditures	<u>(2,034,353)</u>	<u>(6,358,698)</u>	<u>(4,828,043)</u>	<u>1,937,488</u>
Other financing sources (uses):				
Operating transfers in	375,203	386,063	304,525	(81,538)
Operating transfers out	(999,626)	(2,408,163)	(1,971,312)	436,851
Proceeds from issuance of debt		<u>3,397,606</u>	<u>3,397,605</u>	
Total other financing sources (uses)	<u>(624,423)</u>	<u>1,375,506</u>	<u>1,730,818</u>	<u>355,313</u>
Net change in fund balance	(2,658,776)	(4,983,192)	(3,097,225)	2,292,801
Fund balance, July 1, 2009	<u>21,650,812</u>	<u>21,650,812</u>	<u>21,650,812</u>	
Fund balance, June 30, 2010	<u>\$ 18,992,036</u>	<u>\$ 16,667,620</u>	<u>\$ 18,553,587</u>	<u>\$ 2,292,801</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, 2010

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

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

SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total</u>
ASSETS										
Cash in County Treasury	\$ 8,647	\$ 318,235	\$ 44,880	\$ 2,469,070	\$ 1,428,884	\$ 6,377,283	\$ 306,220	\$ 3,665,845	\$ 10,983,067	\$ 25,602,131
Cash on hand and in banks	10,000	47,604		348,739		103,405		8,312		518,060
Accounts receivable	75,249	139,751	230,882	388,575	3,718	19,446	556	27,572	68,851	954,600
Due from other funds		132		30,877	325,457	719,358	95,997	315,604		1,487,425
Stores inventory				10,946						10,946
Total assets	<u>\$ 93,896</u>	<u>\$ 505,722</u>	<u>\$ 275,762</u>	<u>\$ 3,248,207</u>	<u>\$ 1,758,059</u>	<u>\$ 7,219,492</u>	<u>\$ 402,773</u>	<u>\$ 4,017,333</u>	<u>\$ 11,051,918</u>	<u>\$ 28,573,162</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Deferred revenue									\$ 258,628	\$ 258,628
Accounts payable	\$ 664	\$ 28,427	\$ 72,601	\$ 41,954	\$ 23,854	\$ 30,110	\$ 22,180			219,790
Due to other funds	49,498		13,993	155,858		57	380,593	\$ 494,120		1,094,119
Total liabilities	50,162	28,427	86,594	197,812	23,854	30,167	402,773	494,120	258,628	1,572,537
Fund balances	<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></u>	<u>3,523,213</u>	<u>10,793,290</u>	<u>27,000,625</u>
Total liabilities and fund balances	<u>\$ 93,896</u>	<u>\$ 505,722</u>	<u>\$ 275,762</u>	<u>\$ 3,248,207</u>	<u>\$ 1,758,059</u>	<u>\$ 7,219,492</u>	<u>\$ 402,773</u>	<u>\$ 4,017,333</u>	<u>\$ 11,051,918</u>	<u>\$ 28,573,162</u>

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, 2010

	<u>Charter School Fund</u>	<u>Adult Education Fund</u>	<u>Child Develop- ment Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Projects Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total</u>
Revenues:										
Revenue limit sources:										
State apportionment	\$ 362,265									\$ 362,265
Local sources	<u>242,022</u>									<u>242,022</u>
Total revenue limit	<u>604,287</u>									<u>604,287</u>
Federal sources		\$ 177,373	\$ 47,126	\$ 2,937,363						3,161,862
Other state sources	74,927	40,864	864,399	254,931					\$ 97,567	1,332,688
Other local sources	<u>1,449</u>	<u>385,904</u>	<u>1,091</u>	<u>1,663,782</u>	<u>\$ 12,465</u>	<u>\$ 2,640,366</u>	<u>\$ 1,258</u>	<u>\$ 216,747</u>	<u>12,098,331</u>	<u>17,021,393</u>
Total revenues	<u>680,663</u>	<u>604,141</u>	<u>912,616</u>	<u>4,856,076</u>	<u>12,465</u>	<u>2,640,366</u>	<u>1,258</u>	<u>216,747</u>	<u>12,195,898</u>	<u>22,120,230</u>
Expenditures:										
Certificated salaries	326,112	490,052	47,084							863,248
Classified salaries	33,388	135,861	494,352	1,794,784	48,933	629,816				3,137,134
Employee benefits	72,202	116,620	147,972	628,624	3,788	215,208				1,184,414
Books and supplies	68,411	35,958	60,008	1,587,562	32,650	12,287	1,828	13,083		1,811,787
Contract services and operating expenditures	165,733	31,465	127,619	208,062	6,192	127,503	3,800			670,374
Capital outlay			5,587		686,406	401,634	679,986	23,615		1,797,228
Debt service:										
Principal retirement			1,698	3,457		1,998,733		321,112	5,720,000	8,045,000
Interest			<u>1,053</u>	<u>2,145</u>		<u>1,194,477</u>		<u>126,768</u>	<u>4,909,808</u>	<u>6,234,251</u>
Total expenditures	<u>665,846</u>	<u>809,956</u>	<u>885,373</u>	<u>4,224,634</u>	<u>777,969</u>	<u>4,579,658</u>	<u>685,614</u>	<u>484,578</u>	<u>10,629,808</u>	<u>23,743,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,817</u>	<u>(205,815)</u>	<u>27,243</u>	<u>631,442</u>	<u>(765,504)</u>	<u>(1,939,292)</u>	<u>(684,356)</u>	<u>(267,831)</u>	<u>1,566,090</u>	<u>(1,623,206)</u>
Other financing sources (uses):										
Operating transfers in		599,626			1,052,905	613,876	798,105	315,604		3,380,116
Operating transfers out			<u>(33,412)</u>	<u>(272,548)</u>		<u>(189,739)</u>	<u>(113,749)</u>	<u>(22,625)</u>		<u>(632,073)</u>
Total other financing sources (uses)		<u>599,626</u>	<u>(33,412)</u>	<u>(272,548)</u>	<u>1,052,905</u>	<u>424,137</u>	<u>684,356</u>	<u>292,979</u>		<u>2,748,043</u>
Net change in fund balances	14,817	393,811	(6,169)	358,894	287,401	(1,515,155)		25,148	1,566,090	1,124,837
Fund balances, July 1, 2009	<u>28,917</u>	<u>83,484</u>	<u>195,337</u>	<u>2,691,501</u>	<u>1,446,804</u>	<u>8,704,480</u>		<u>3,498,065</u>	<u>9,227,200</u>	<u>25,875,788</u>
Fund balances, June 30, 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>\$ -</u>	<u>\$ 3,523,213</u>	<u>\$ 10,793,290</u>	<u>\$ 27,000,625</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, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Deferred Compensation</u>				
Assets:				
Cash on hand and in banks	\$ 1,111,043	\$ 77,308	\$ 70,264	\$ 1,118,087
Deferred compensation	<u>1,111,043</u>	<u>77,308</u>	<u>70,264</u>	<u>1,118,087</u>
Total assets	<u>\$ 1,111,043</u>	<u>\$ 77,308</u>	<u>\$ 70,264</u>	<u>\$ 1,118,087</u>
Liabilities:				
Deferred compensation	\$ 1,111,043	\$ 77,308	\$ 70,264	\$ 1,118,087
Due to student groups	<u>1,111,043</u>	<u>77,308</u>	<u>70,264</u>	<u>1,118,087</u>
Total liabilities	<u>\$ 1,111,043</u>	<u>\$ 77,308</u>	<u>\$ 70,264</u>	<u>\$ 1,118,087</u>
<u>Student Body</u>				
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 480,323	\$ 2,350,105	\$ 2,226,088	\$ 604,340
Deferred compensation	<u>480,323</u>	<u>2,350,105</u>	<u>2,226,088</u>	<u>604,340</u>
Total assets	<u>\$ 480,323</u>	<u>\$ 2,350,105</u>	<u>\$ 2,226,088</u>	<u>\$ 604,340</u>
Liabilities:				
Deferred compensation	\$ 480,323	\$ 2,350,105	\$ 2,226,088	\$ 604,340
Due to student groups	<u>480,323</u>	<u>2,350,105</u>	<u>2,226,088</u>	<u>604,340</u>
Total liabilities	<u>\$ 480,323</u>	<u>\$ 2,350,105</u>	<u>\$ 2,226,088</u>	<u>\$ 604,340</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 286,133	\$ 543,168	\$ 566,119	\$ 263,182
Deferred compensation	<u>286,133</u>	<u>543,168</u>	<u>566,119</u>	<u>263,182</u>
Total assets	<u>\$ 286,133</u>	<u>\$ 543,168</u>	<u>\$ 566,119</u>	<u>\$ 263,182</u>
Liabilities:				
Deferred compensation	\$ 286,133	\$ 543,168	\$ 566,119	\$ 263,182
Due to student groups	<u>286,133</u>	<u>543,168</u>	<u>566,119</u>	<u>263,182</u>
Total liabilities	<u>\$ 286,133</u>	<u>\$ 543,168</u>	<u>\$ 566,119</u>	<u>\$ 263,182</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, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Student Body</u> (Continued)				
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 190,950	\$ 691,934	\$ 693,411	\$ 189,473
Deferred compensation	_____	_____	_____	_____
Total assets	<u>\$ 190,950</u>	<u>\$ 691,934</u>	<u>\$ 693,411</u>	<u>\$ 189,473</u>
Liabilities:				
Deferred compensation Due to student groups	\$ 190,950	\$ 691,934	\$ 693,411	\$ 189,473
Due to student groups	\$ 190,950	\$ 691,934	\$ 693,411	\$ 189,473
Total liabilities	<u>\$ 190,950</u>	<u>\$ 691,934</u>	<u>\$ 693,411</u>	<u>\$ 189,473</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 957,406	\$ 3,585,207	\$ 3,485,618	\$ 1,056,995
Deferred compensation	1,111,043	77,308	70,264	1,118,087
Total assets	<u>\$ 2,068,449</u>	<u>\$ 3,662,515</u>	<u>\$ 3,555,882</u>	<u>\$ 2,175,082</u>
Liabilities:				
Deferred compensation Due to student groups	\$ 1,111,043	\$ 77,308	\$ 70,264	\$ 1,118,087
Due to student groups	957,406	3,585,207	3,485,618	1,056,995
Total liabilities	<u>\$ 2,068,449</u>	<u>\$ 3,662,515</u>	<u>\$ 3,555,882</u>	<u>\$ 2,175,082</u>

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

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>
Teresa Stanley	President	2012
Richard Shaw	Vice President	2010
JoAnne Reinking	Clerk	2012
Edward Short	Member	2010
Roger Benton	Member	2010

ADMINISTRATION

Patrick Godwin
Superintendent *

Deborah Bettencourt
Deputy Superintendent/CFO *

Leslie Faust
Assistant Superintendent, Elementary Instruction

Janie DeArcos
Assistant Superintendent, Secondary Instruction

Martin Baumann
Assistant Superintendent, Human Resources

Mark Rickabaugh
Assistant Superintendent, Educational Options and Accountability

Maureen Burness
Assistant Superintendent, SELPA Director **

Rhonda Crawford
Director of Fiscal Services ***

* Patrick Godwin retired from the District effective June 30, 2010. Deborah Bettencourt was appointed Superintendent effective July 1, 2010.

** Maureen Burness terminated her position within the District effective July 31, 2010. Cher Koleszar, was assigned the position of Director of SELPA and Student Support Services effective August 1, 2010.

*** Rhonda Crawford was assigned the position of Deputy Superintendent/CFO effective July 1, 2010.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	1,433	1,436
First through Third	4,262	4,265
Fourth through Eighth	6,681	6,676
Special Education	476	477
Community Day School	<u>18</u>	<u>24</u>
	<u>12,870</u>	<u>12,878</u>
Secondary:		
Regular Classes	4,795	4,755
Special Education	282	280
Continuation Education	268	259
Community Day School	<u>28</u>	<u>29</u>
	<u>5,373</u>	<u>5,323</u>
	<u>18,243</u>	<u>18,201</u>

See accompanying notes to
supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,117	180	In Compliance
Grade 1	50,400	42,240	54,042	180	In Compliance
Grade 2	50,400	42,240	54,042	180	In Compliance
Grade 3	50,400	42,240	54,042	180	In Compliance
Grade 4	54,000	52,800	54,042	180	In Compliance
Grade 5	54,000	52,800	54,042	180	In Compliance
Grade 6	54,000	52,800	54,042	180	In Compliance
Grade 7	54,000	52,800	61,765	180	In Compliance
Grade 8	54,000	52,800	61,765	180	In Compliance
Grade 9	64,800	52,800	65,408	180	In Compliance
Grade 10	64,800	52,800	65,408	180	In Compliance
Grade 11	64,800	52,800	65,408	180	In Compliance
Grade 12	64,800	52,800	65,408	180	In Compliance

See accompanying notes to
supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2010

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 Basic Local Assistance	13379	\$ 3,056,616
84.392	Special Education ARRA IDEA Part B, Preschool Grants	15000	36,765
84.392	Special Education ARRA IDEA Part B, Preschool Local Entitlement	15000	89,350
84.391	Special Education ARRA Preschool Grants	15003	460,736
84.173	Special Education Preschool Grants	13430	<u>77,762</u>
	Subtotal Special Education Cluster		<u>3,721,229</u>
	NCLB Title I Cluster:		
84.010	NCLB: Title I, Part A, Low-Income & Neglected	14329	1,948,897
84.389	NCLB Title I ARRA Part D, Local Delinquent	15009	<u>880,156</u>
	Subtotal Title I Cluster		<u>2,829,053</u>
84.048	Vocational & Applied Technology Secondary	13924	93,081
84.181	Special Education Preschool Local Entitlement	13682	169,550
84.181	Special Education Early Intervention Grants, Part C	23761	91,745
84.186	NCLB: Title IV, Drug-Free Schools	14347	67,966
84.367	NCLB: Title II, Part A, Teacher Quality	14341	554,271
84.367	Title II, Principal Training	14344	6,508
84.298A	NCLB: Title V, Part A, Innovative Education	14354	713
84.365	NCLB: Title III, Immigrant Education Program	14346	67,249
84.365A	NCLB: Title III, Limited English Proficiency	14346	236,979
84.215X	Teaching American History	-	94,670
84.318	Title II Enhancing Education Through Technology Formula Grant	14344	23,116
84.002A	Adult Education: 231 ESL	14508	116,347
84.394	ARRA: State Fiscal Stabilization Fund	25008	6,296,895
84.002A	Adult Education: Priority 5, Adult Secondary Education	13978	38,627
84.002A	Adult Education: English Literacy & Civics Education	13978	<u>22,400</u>
	Total U.S. Department of Education		<u>14,430,399</u>

(Continued)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Care: Instructional Materials	24486	\$ 1,674
93.576	Refugee Children Supplemental Assistance Program	13981	167,657
93.778	Medi-Cal Billing Assistance Program	10060	43,633
93.778	Medi-Cal Medical Administrative Activities	10060	<u>195,928</u>
	Total U.S. Department of Health and Human Services		<u>408,892</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.580	Child Nutrition: Child Care Food Program	13394	45,451
10.555	National School Lunch Program	13396	<u>2,937,362</u>
	Total U.S. Department of Agriculture		<u>2,982,813</u>
	Total Federal Programs		<u>\$ 17,822,104</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, 2010

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, 2010

	(Budgeted)			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$ 131,654,684</u>	<u>\$ 140,598,987</u>	<u>\$ 147,433,638</u>	<u>\$ 148,754,736</u>
Expenditures	135,874,797	141,724,900	144,188,032	147,548,033
Other uses and transfers out	<u>1,312,531</u>	<u>1,971,312</u>	<u>1,000,000</u>	<u>1,987,644</u>
Total outgo	<u>137,187,328</u>	<u>143,696,212</u>	<u>145,188,032</u>	<u>149,535,677</u>
Changes in fund balance	<u>\$ (5,532,644)</u>	<u>\$ (3,097,225)</u>	<u>\$ 2,245,606</u>	<u>\$ (780,941)</u>
Ending fund balance	<u>\$ 13,020,943</u>	<u>\$ 18,553,587</u>	<u>\$ 21,650,812</u>	<u>\$ 19,405,206</u>
Available reserves	<u>\$ 4,200,000</u>	<u>\$ 5,141,847</u>	<u>\$ 4,500,000</u>	<u>\$ 7,993,958</u>
Designated for economic uncertainties	<u>\$ 4,200,000</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 6,396,979</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ 641,847</u>	<u>\$ -</u>	<u>\$ 1,596,979</u>
Available reserves as percentages of total outgo	<u>3%</u>	<u>3.2%</u>	<u>3.1%</u>	<u>4.3%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$260,879,176</u>	<u>\$270,459,399</u>	<u>\$224,163,538</u>	<u>\$223,953,844</u>
Average daily attendance at P-2, excluding Adult	<u>18,249</u>	<u>18,243</u>	<u>18,171</u>	<u>18,104</u>

The General Fund fund balance has decreased by \$1,632,560 over the past three years. The fiscal year 2010-2011 budget projects a decrease of \$5,532,644. For a district this size, the State of California recommends available reserves of at least 2 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the fiscal year 2010-2011.

Total long-term liabilities have increased by \$46,505,555 over the past two years, primarily due to the issuance of General Obligation bonds during the fiscal year ended June 30, 2008.

Average daily attendance has increased by 139 over the past two years. An increase of 6 is projected for the 2010-2011 fiscal year.

See accompanying notes to
supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2010

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
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, 2010

	Academic and Support Services
Revenues:	
Other local sources	<u>\$ 397,550</u>
Expenditures:	
Certificated salaries	36,900
Classified salaries	136,684
Employee benefits	32,565
Books and supplies	35,002
Contract services and operating expenditures	135,586
Indirect costs	<u>20,813</u>
	<u>397,550</u>
Net income	<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, 2010.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 14,380,406
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	3,858,838
Less: Medi-Cal Billing Funds not spent	93.778	(409,540)
Teaching American History Funds not spent	84.215X	<u>(7,600)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 17,822,104</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 2010-2011 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, 2010, the District did not adopt such a program.

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

Board of Education
Folsom Cordova Unified School District
Folsom, California

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, 2010. 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
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	No, see below

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
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 2009-2010 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, 2010. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2009-2010 Audit Guide relating to the comparison of tested data from the 2009-2010 fiscal year to the 2009-2010 School Accountability Report Cards.

We did not perform any procedures related to Class Size Reduction option two classes or for one school serving K-3 because the District does not have only 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, 2010. 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.

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

(Continued)

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. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith CP

Sacramento, California
December 13, 2010

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Folsom Cordova Unified School District
Folsom, California

We have audited the financial statements of Folsom Cordova Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. 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

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 on 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.

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 findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses and, accordingly, express no opinion on them.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

(Continued)

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. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
December 13, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 the compliance of Folsom Cordova Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Folsom Cordova Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Folsom Cordova Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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 federal programs. 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 a major federal 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 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

Internal Control Over Compliance (Continued)

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 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 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. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith CP

Sacramento, California
December 13, 2010

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

Board of Education
Folsom Cordova Unified School District
Folsom, California

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 are applicable to First 5 Sacramento County Program for the year ended June 30, 2010. 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 requirements referred to above that are applicable to its First 5 Sacramento County Program for the year ended June 30, 2010.

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.

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

(Continued)

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.

Amy - Smith CP

Sacramento, California
December 13, 2010

FINDINGS AND RECOMMENDATIONS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391, 84.392 84.010, 84.389 84.367 84.394 10.555	Special Education Cluster NCLB: Title I Cluster NCLB: Title II ARRA: State Fiscal Stabilization Fund National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 534,663

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

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? _____ Yes X 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, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

1. ACCOUNT PAYABLE CONTROLS (30000)

Criteria

Internal Control - Safeguarding of Assets

Condition

Liabilities were not properly accrued for on the District's general ledger.

Effect

The District has understated liabilities.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Extrapolated understatement of District liabilities by \$236,216.

Recommendation

The District should reconcile all payables and estimated payables to the general ledger.

Corrective Action Plan

The District will implement procedures to assure that all liabilities are accounted for in the general ledger.

2. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

Internal Control - Safeguarding of Assets

Condition

At Cordova High School

- Purchases are not properly authorized.

At White Rock Elementary School

- Monthly financial reports are not being reviewed by Administrative personnel.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Condition

At Kinney High School

- Lack of segregation of duties within the cash receipt process.
- Sales logs are 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.

Effect

ASB assets could be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not applicable

Recommendation

The District should implement and enforce internal controls, including:

- 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.

Corrective Action Plan

The District Office and Fiscal Services staff will continue to work with the school sites to enforce the controls set in place.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

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, 2010

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, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2009-1</p> <p>At Sutter Middle School:</p> <ul style="list-style-type: none"> • Cash receipts did not reconcile to tally sheet used for tracking sales. • Disbursement forms were not preapproved. <p>At Russell Ranch Elementary School:</p> <ul style="list-style-type: none"> • There is no record of receipt books issued to the teachers. • ASB funds were used for the purchase of staff development supplies and membership dues. • Fundraising events are not preapproved. <p>At Sandro J. Gallardo Elementary School:</p> <ul style="list-style-type: none"> • There is no record of receipt books issued to the teachers. • Equipment purchases should be purchased through the District to ensure proper inventory controls. <p>At Blanche Sprentz Elementary School:</p> <ul style="list-style-type: none"> • Sub-receipt books are not issued to teachers. • Disbursement forms for expenditures should contain two signatures. Several forms only contained one signature. <p>At Vista Del Lago High School:</p> <ul style="list-style-type: none"> • Sub-receipt books are not issued to the student clubs. • The student council minutes are not turned in to the ASB Secretary in a timely manner. The minutes also have limited documentation and do not clearly show the approval of expenditures. • Bank deposits are not made timely after events resulting in large amounts of cash on site for extended periods of time. <p>At Cordova Villa Elementary School:</p> <ul style="list-style-type: none"> • Sunshine Fund, teacher/staff party money runs through the same Trustee Account. 	<p>Partially implemented.</p>	<p>Refer to Finding #2.</p>

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2009-1 (Continued)</p> <p>The District should implement and enforce internal controls, including:</p> <ul style="list-style-type: none"> • Reconciling cash turned in to cash collected and recorded during sales activities. • Issue sub-receipts to teachers and clubs and keep a record of the sub-receipt books issued. • Have the student council turn in copies of meeting minutes to the ASB secretary in a timely manner. • Bank deposits must be made timely within same week of event and never over a weekend. • Fundraising approvals and profit/loss statements must be completed for each event. • Restrict unapproved or inappropriate purchases from ASB or Trustee. • Trustee Accounts have large balances at the end of the school year. Funds should be spent on students or deposited into the school site budgets. 	Implemented.	
<p>2009-2</p> <p>The District is not enforcing the approved vacation accrual limit policy.</p> <p>The District Management should monitor and enforce the vacation accrual policy. We also encourage the District to set a deadline in which employees will be required to be in compliance with the approved policy or the District can pay those employees with excess vacation to reduce the liability. Additional policies can be adopted to limit the amount of vacation employees may accrue and not allow any further accrual until the employee uses vacation.</p>		

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2009-3 At Russell Ranch Elementary School, one student was claimed for apportionment for one day; however, the School had an absence note on site indicating the student would be absent. The District should revise and resubmit the Second Period Report of Attendance, reflecting this disallowance of the above ADA.	Implemented.	