

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

COUNTY OF PLACER

ROSEVILLE, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

AND

INDEPENDENT AUDITOR'S REPORT

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2008

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DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dry Creek Joint Elementary School District
Roseville, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dry Creek Joint Elementary School District, as of and for the year ended June 30, 2008, which collectively comprise Dry Creek Joint Elementary 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, each major fund and the aggregate remaining fund information of Dry Creek Joint Elementary School District as of June 30, 2008, and the respective changes in financial position 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 8, 2008 on our consideration of Dry Creek Joint Elementary 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Dry Creek Joint Elementary 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 Dry Creek Joint Elementary 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.

Perry-Smith LLP

Sacramento, California
December 8, 2008



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Management's Discussion and Analysis

Introduction

The Management's Discussion and Analysis section of the audit report is management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the Board of Trustees and the public. Accounting rules require this discussion and analysis and make reporting of District's finances similar to that of private business.

Dry Creek Joint Elementary School District

The District serves residents of the Dry Creek Community in Placer County, the City of Roseville, and the Antelope Community in the County of Sacramento. At the time of this report the District serves approximately 7,275 students in seven elementary schools and three middle schools.

The mission statement of the District is:

The Dry Creek Joint Elementary School District, a partnership of families, community and educators, prepares students to become active and responsible citizens in a diverse society by engaging students in a challenging curriculum that provides a solid foundation of academic skills in a safe learning environment.

Overview of the Financial Statements

The report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements reflect different views of the District.

The first two statements are *district-wide financial statements* that provide information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting District operations in *more detail* than the district-wide statements.

The *governmental funds* statements tell how basic services such as regular and special education were financed as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationship in which the District acts solely as a *trustee or agent* for the benefit of others who own the resources.

Management's Discussion and Analysis

Financial Reports

The two financial reports, the Statement of Net Assets and the Statement of Activities, report District-wide financial condition and activities. In contrast, the individual fund statements focus on reporting the District's operations in more detail. The fund financial statements look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are:

- General Fund
- County School Facilities Fund
- Building Fund (General Obligation Bond Building Fund)

Statement of Net Assets

The District's net assets increased to \$109.4 million, an increase of \$6.6 million or 6%. The table below summarizes the District's net assets.

Dry Creek J.E.S.D Net Assets				FY 07 to FY08 Percentage Change
	2007-2008	2006-2007	2005-2006	
Current & Other Assets	\$ 48,600,085	\$ 25,835,702	\$ 34,717,239	88%
Capital Assets	155,069,253	124,269,352	114,382,800	25%
Total Assets	\$ 203,669,338	\$ 150,105,054	\$ 149,100,039	36%
Other Liabilities	\$ 10,165,910	\$ 7,250,884	\$ 8,317,434	40%
Long-Term Liabilities	84,054,501	40,011,472	42,296,721	110%
Total Liabilities	\$ 94,220,411	\$ 47,262,356	\$ 50,614,155	99%
Total Net Assets	\$ 109,448,927	\$ 102,842,698	\$ 98,485,884	6%

The District's improved financial position is the product of many factors. However, the following events of the last year stand out:

- Capital assets increased \$30.8 million or 25%. The main factor of the increase is the phased construction of Creekview Ranch Middle School which opened its doors to students in August 2008.
- Successful passage of a \$67.3 million General Obligation Bond in February 2008. The first issuance of bonds occurred in May 2008 and was approximately \$25 million. The next issuance of General Obligation Bonds will refund the \$11.6 million Certificates of Participation issued in July 2007.
- In November 2007 the 1995B Series General Obligation Bonds were refunded for a savings of \$426 thousand to the local taxpayers.

Statement of Activities

Total revenues exceeded expenses, resulting in increased net assets by \$6.6 million. The following table summarizes the change in net assets.

Management's Discussion and Analysis

Dry Creek J.E.S.D. Change in Net Assets				06-07 to 07-08 Percentage Change
	2007-2008	2006-2007	2005-2006	
Revenues:				
General Revenues:				
Property Taxes	\$ 17,358,167	\$ 16,553,678	\$ 17,031,048	5%
State Aid Formula	31,729,502	30,871,383	26,294,038	3%
Other	2,205,215	3,640,097	3,557,877	-39%
Program Revenues	21,053,985	7,954,429	16,476,733	165%
Total Revenues	72,346,869	59,019,587	63,359,696	23%
Expenses:				
Instructional-related	41,490,338	39,077,147	35,636,351	6%
Pupil Services	1,852,378	1,637,157	1,490,551	13%
General Administration	3,455,998	3,023,856	3,085,650	14%
Plant Services	7,534,472	7,377,883	6,342,030	2%
Ancillary Services	121,062	104,791	98,911	16%
Debt Service	2,925,150	1,589,992	1,795,157	84%
Other Outgo	1,586,199	713,962	827,232	122%
Total Expense	58,965,597	53,524,788	49,275,882	10%
Change in Net Assets	13,381,272	5,494,799	14,083,814	144%
Net Assets, July 1	102,842,698	98,485,884	84,402,070	
Restatement	(6,775,043)	(1,137,985)	0	
	96,067,655	97,347,899	84,402,070	
Net Assets, June 30	\$ 109,448,927	\$ 102,842,698	\$ 98,485,884	6%

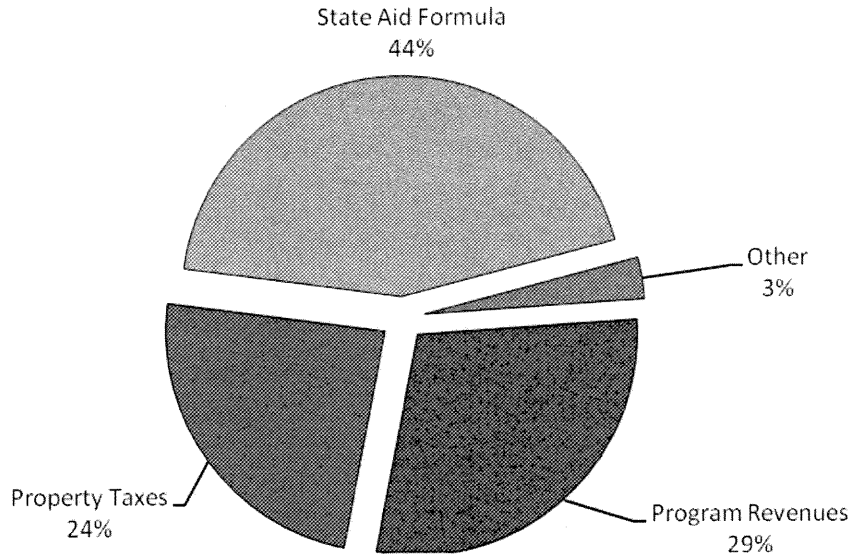
During 07-08 the District began to recognize the accreted interest on General Obligation Bonds and Mello Roos Bonds in the amount of \$6.77 million. In 06-07 it was determined that certain amounts from a prior period were double booked resulting in an overstatement of Cash with Fiscal Agent which was then adjusted to reflect the actual Cash with Fiscal Agent as of July 1, 2006.

The District's total revenue was \$72.3 million, an increase of 23% which is mainly due to the receipt of state construction matching funds for Creekview Ranch Middle School in 2007-2008. As discussed in prior years the District is actively participating in the state school building program and the timing of construction projects and state matching dollars causes fluctuations in the District's revenues and expenses.

Property taxes and State aid formula accounted for most of the District's revenue totaling 68% of total revenue. Another 29% came from state and federal aid for specific programs and the remaining 3% of revenues are from miscellaneous sources as shown in the graph below.

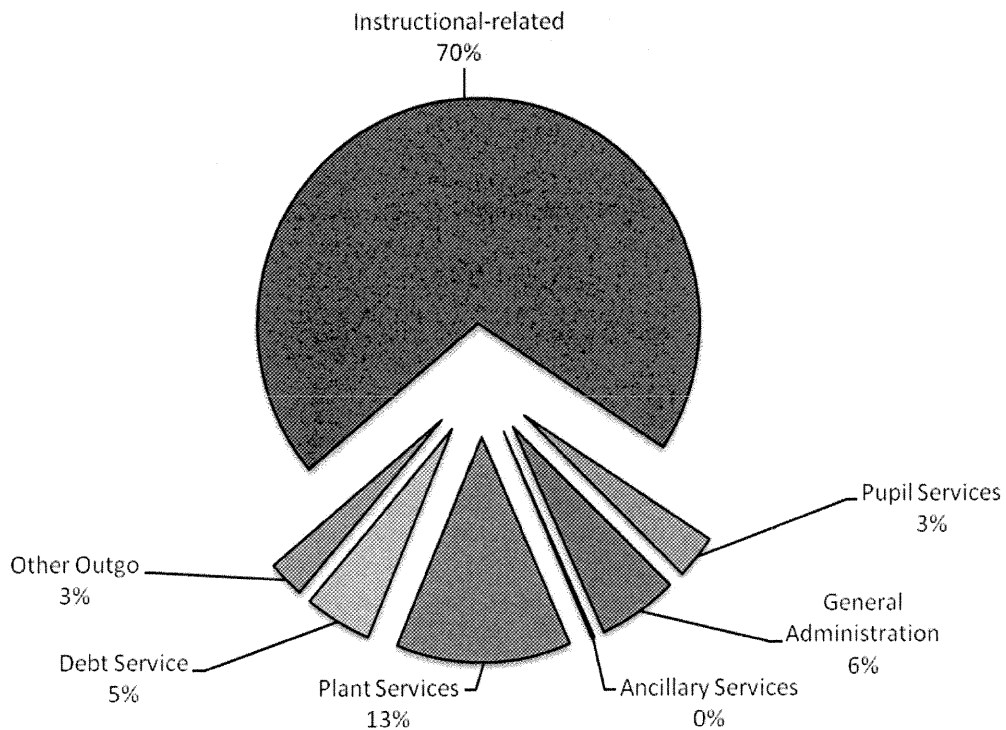
Management's Discussion and Analysis

2007-2008 Revenues



The total cost of programs and services was \$58.9 million, which represents a 10% increase over prior year. Depreciation expenses have been charged to programs, thus no depreciation is unallocated. The District expenses are predominately related to educating and caring for students (70%) as shown in the table below. The purely administrative activities of the District accounted for just 6% of total costs.

2007-2008 Expenses



Management's Discussion and Analysis

Financial Highlights

- Net assets increased by \$6.6 million.
- The District opened Creekview Ranch Middle School in the August 2008. By using developer fees, state matching funds and local bonds to fund construction the District has opened 9 schools since 1990.
- Strong reserve levels were maintained in the 2007-2008 year. The Board of Trustees requires a 4% Designation for Economic Uncertainties and a 2% General Reserve for the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times due to updated projections. The two significant changes included changes in revenue limit due to enrollment and an increase in expenses from the inclusion of carryover funds from the 2006-2007 year.

The major differences between the final budget and actuals included:

- Approximately \$2.7 million in program dollars were not spent and will be carried over into the 2008-2009 budget. A large amount of these funds were provided on a one-time basis in 2006-2007 and the District plans to spend these funds over multiple years.
- Budgeted revenue over expense was anticipated to be \$(1.7) million, however actual revenue to expense was \$1.0 million due to the above.

Employee Relations

The employees of the District are represented by the following groups: the Dry Creek Teachers Association (DCTA), Amalgamated Transit Unit (ATU) and the Association of Classified Employees (ACE+). Agreement was reached with all groups on employee compensation and benefits for 2007-2008. Portions of the contracts can be "reopened" each year and negotiated by the District and representatives of the respective groups. Upon completion of the negotiations, tentative agreements are subject to formal ratification by the Board of Trustees and the membership of the respective groups

Financial Condition of General Fund

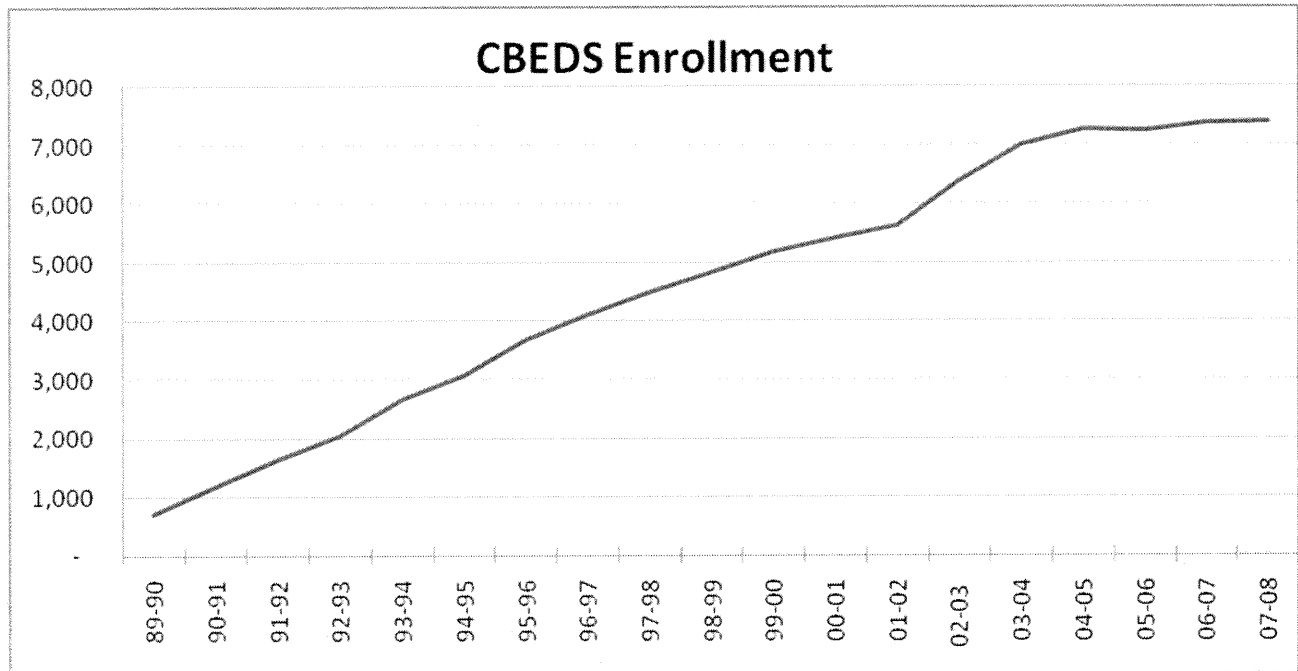
The District continues to maintain a solid financial condition. The decline in the ending fund balance was less than projected largely due to carryover and unspent funds.

The District's reserves remain at the Board of Trustees required levels of a 4% Designation for Economic Uncertainties and a 2% General Reserve. Additionally, the District continues its practice of designating Lottery funds for expense in the following year. The excellent financial condition is a result of the Board of Trustees requirements and policies, good fiscal management by staff, and the focus on long-term impacts of decisions.

Management's Discussion and Analysis

Student Growth

The District has undergone tremendous student growth over the past 17 years. For the 07-08 year enrollment grew by 18 students to 7,395 at the October California Basis Education Data Systems (CBEDS) reporting date. The chart below displays the CBEDS enrollment from 1989-1990 to 2007-2008.



Capital Projects

To house the growth in enrollment the District has undertaken an aggressive building program and has built nine new schools since 1990 and constructed two major additions. Each of these schools and additions were financed with local funds and State funds. The most recent school is the Creekview Ranch Middle which opened in August 2008 and the final phase includes classrooms, the library and the administration buildings which will be complete in spring 2009.

Bond Ratings

The District has strong underlying bond ratings with a Fitch rating of AA, a Standard & Poor's rating of AA which was upgraded from A+.

Management's Discussion and Analysis

District Indebtedness

As of June 30, 2008 the District has \$84.0 million of long-term liabilities outstanding as shown in the table below. Long-term liabilities increased due to the successful passage of the General Obligation Bond election in February 2008, the refunding of the 1995B General Obligation bonds, the inclusion of accreted interest and the issuance of \$11.6 million in Certificates of Participation.

The two largest sources of indebtedness are General Obligation Bonds and Mello-Roos Bonds, which are secured by property tax increases, approved by local residents and are used for school construction. Additional detailed information may be found in the Notes section of the financial statements.

Dry Creek J.E.S.D			
Long-Term Liabilities			
	June 30, 2008	June 30, 2007	June 30, 2006
General Obligation Bonds \$	41,496,387	\$ 16,823,042	\$ 17,763,042
Mello Roos Bonds	21,324,923	22,699,923	23,924,923
Certificates of Participation	11,620,000		
Accreted Interest	7,688,706		
Unamortized Discount	1,607,921	253,744	290,680
Capitalized Obligations	200,589	119,587	187,325
Compensated Absences	88,155	72,508	68,715
All Other	27,820	42,668	62,036
	\$ 84,054,501	\$ 40,011,472	\$ 42,296,721

Factors Bearing on the District's Future

At the time the financial statements were prepared and audited, the District was aware of two circumstances which could significantly affect its financial health in the future:

- The decline in residential development and mortgage issues have caused decreased growth in student enrollment.
- Uncertainties in the economy and future State revenues will have an impact of lower State appropriations on the District's budget.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Administrative Services Office, Dry Creek Joint Elementary School District, 9707 Cook Riolo Road, Roseville, California 95747.

BASIC FINANCIAL STATEMENTS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 42,356,599
Accounts receivable	4,317,226
Prepaid expenditures	1,924,144
Stores inventory	2,116
Capital assets, net of accumulated depreciation (Note 4)	<u>155,069,253</u>
Total assets	<u>203,669,338</u>
LIABILITIES	
Accounts payable	6,098,696
Tax and Revenue Anticipation Notes (TRANS) payable (Note 2)	4,000,000
Deferred revenue	67,214
Long-term liabilities (Note 5):	
Due within one year	3,061,988
Due after one year	<u>80,992,513</u>
Total liabilities	<u>94,220,411</u>
NET ASSETS	
Invested in capital assets, net of related debt	74,583,649
Restricted (Note 6)	29,545,980
Unrestricted	<u>5,319,298</u>
Total net assets	<u>\$ 109,448,927</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities (Note 4):					
Instruction	\$ 36,063,530		\$ 6,253,380	\$ 13,738,630	\$ (16,071,520)
Instruction-related services:					
Supervision of instruction	1,060,656		105,698		(954,958)
Instructional library, media and technology	392,681		7,543		(385,138)
School site administration	3,973,471		12,765		(3,960,706)
Pupil services:					
Home-to-school transportation	597,914	\$ 38,664	73,931		(485,319)
Food services	23,934				(23,934)
All other pupil services	1,230,530		137,871		(1,092,659)
General administration:					
Data processing	474,106				(474,106)
All other general administration	2,981,892	2,316	330,707		(2,648,869)
Plant services	7,534,472		309,175		(7,225,297)
Ancillary services	121,062		3,493		(117,569)
Interest on long-term liabilities	2,925,150				(2,925,150)
Other outgo	1,586,199		39,812		(1,546,387)
Total governmental activities	\$ 58,965,597	\$ 40,980	\$ 7,274,375	\$ 13,738,630	(37,911,612)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					
					12,791,385
Taxes levied for debt service					
					4,566,782
Federal and state aid not restricted to specific purposes					
					31,729,502
Interest and investment earnings					
					988,663
Miscellaneous					
					<u>1,216,552</u>
Total general revenues					<u>51,292,884</u>
Change in net assets					13,381,272
Net assets, July 1, 2007, as previously stated					102,842,698
Restatement (Note 10)					<u>(6,775,043)</u>
Net assets, July 1, 2007, as restated					<u>96,067,655</u>
Net assets, June 30, 2008					<u><u>\$ 109,448,927</u></u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	<u>General Fund</u>	<u>County School Facilities Fund</u>	<u>General Obligation Bond Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 7,214,881	\$ 10,776	\$ 24,399,671	\$ 3,089,137	\$ 34,714,465
Cash in County Treasury, restricted for repayment of Tax and Revenue					
Anticipation Notes (TRANS)	4,184,212				4,184,212
Cash in revolving fund	5,000				5,000
Cash with Fiscal Agent				3,452,922	3,452,922
Accounts receivable	4,307,456			9,770	4,317,226
Prepaid expenditures	175,000				175,000
Due from other funds		4,203,606	639,948	750,973	5,594,527
Stores inventory	<u>2,116</u>				<u>2,116</u>
Total assets	<u>\$ 15,888,665</u>	<u>\$ 4,214,382</u>	<u>\$ 25,039,619</u>	<u>\$ 7,302,802</u>	<u>\$ 52,445,468</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,875,930	\$ 2,823,461	\$ 236,150	\$ 33,549	\$ 4,969,090
TRANS payable	4,000,000				4,000,000
Deferred revenue	67,214				67,214
Due to other funds		<u>1,390,921</u>	<u>4,203,606</u>		<u>5,594,527</u>
Total liabilities	5,943,144	4,214,382	4,439,756	33,549	14,630,831
Fund balances	<u>9,945,521</u>		<u>20,599,863</u>	<u>7,269,253</u>	<u>37,814,637</u>
Total liabilities and fund balances	<u>\$ 15,888,665</u>	<u>\$ 4,214,382</u>	<u>\$ 25,039,619</u>	<u>\$ 7,302,802</u>	<u>\$ 52,445,468</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balances - Governmental Funds \$ 37,814,637

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 \$180,907,123 and the accumulated depreciation is \$25,837,870 (Note 4).

155,069,253

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, 2008 consisted of (Note 5):

General Obligation Bonds	\$ (41,496,387)
Mello-Roos Bonds	(21,324,923)
Accreted interest	(7,688,706)
Unamortized premium	(1,607,921)
Certificates of participation	(11,620,000)
Capitalized lease obligations	(200,589)
Early retirement incentive	(27,820)
Compensated absences	<u>(88,155)</u>

(84,054,501)

Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds.

1,749,144

Unmatured interest is not recognized until it is due and, therefore, it is not accrued as a payable in governmental funds.

(1,129,606)

Total net assets - governmental activities

\$ 109,448,927

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>County School Facilities Fund</u>	<u>General Obligation Bond Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 27,254,965				\$ 27,254,965
Local sources	<u>12,791,386</u>				<u>12,791,386</u>
Total revenue limit	<u>40,046,351</u>				<u>40,046,351</u>
Federal sources	1,666,440				1,666,440
Other state sources	7,175,214	\$ 13,738,630		\$ 279,526	21,193,370
Other local sources	<u>3,745,793</u>	<u>12,241</u>	<u>\$ 763,160</u>	<u>6,329,666</u>	<u>10,850,860</u>
Total revenues	<u>52,633,798</u>	<u>13,750,871</u>	<u>763,160</u>	<u>6,609,192</u>	<u>73,757,021</u>
Expenditures:					
Certificated salaries	28,387,839				28,387,839
Classified salaries	6,812,397				6,812,397
Employee benefits	8,886,395				8,886,395
Books and supplies	2,827,783	78,775	8,192	3,896	2,918,646
Contract services and operating expenditures	3,700,455	196,634	664,232	1,317,986	5,879,307
Capital outlay	197,718	27,631,651	4,441,217	1,491,991	33,762,577
Other outgo	650,260				650,260
Debt service:					
Principal retirement	113,780			9,204,940	9,318,720
Interest	<u>19,130</u>			<u>2,304,584</u>	<u>2,323,714</u>
Total expenditures	<u>51,595,757</u>	<u>27,907,060</u>	<u>5,113,641</u>	<u>14,323,397</u>	<u>98,939,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,038,041</u>	<u>(14,156,189)</u>	<u>(4,350,481)</u>	<u>(7,714,205)</u>	<u>(25,182,834)</u>
Other financing sources (uses):					
Operating transfers in	355,000	14,156,189		326,870	14,838,059
Operating transfers out	(326,870)		(3,708,988)	(10,802,201)	(14,838,059)
Proceeds from the issuance of long-term liabilities	<u>234,722</u>		<u>24,998,345</u>	<u>19,085,000</u>	<u>44,318,067</u>
Total other financing sources (uses)	<u>262,852</u>	<u>14,156,189</u>	<u>21,289,357</u>	<u>8,609,669</u>	<u>44,318,067</u>
Net change in fund balances	1,300,893		16,938,876	895,464	19,135,233
Fund balances, July 1, 2007	<u>8,644,628</u>		<u>3,660,987</u>	<u>6,373,789</u>	<u>18,679,404</u>
Fund balances, June 30, 2008	<u>\$ 9,945,521</u>	<u>\$ -</u>	<u>\$ 20,599,863</u>	<u>\$ 7,269,253</u>	<u>\$ 37,814,637</u>

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

DRY CREEK JOINT ELEMENTARY 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, 2008

Net change in fund balances - Total Governmental Funds		\$ 19,135,233
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).	\$ 34,200,308	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(3,250,243)	
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported (Note 4).	(150,164)	
Amortization of discounts and debt issuance cost are expenses that are not recorded in the governmental funds (Note 5). The difference between the debt issuance cost recognized in the current period and the issuance cost amortized in the current period is:	(1,241,491)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	9,318,720	
In governmental funds, proceeds from debt issuance are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to the liabilities (Note 5).	(44,318,067)	
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(913,663)	
Unmatured interest is an expense that is not recorded in the governmental funds.	601,438	
In the statement of activities, expenses related to compensated absences and early retirement incentive are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>(799)</u>	<u>(5,753,961)</u>
Change in net assets of governmental activities		<u>\$ 13,381,272</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2008

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 27,845,981	\$ 27,454,599	\$ 27,254,965	\$ (199,634)
Local sources	<u>12,124,478</u>	<u>12,577,030</u>	<u>12,791,386</u>	<u>214,356</u>
Total revenue limit	<u>39,970,459</u>	<u>40,031,629</u>	<u>40,046,351</u>	<u>14,722</u>
Federal sources	1,504,697	1,729,199	1,666,440	(62,759)
Other state sources	7,205,706	7,429,140	7,175,214	(253,926)
Other local sources	<u>3,059,653</u>	<u>3,642,356</u>	<u>3,745,793</u>	<u>103,437</u>
Total revenues	<u>51,740,515</u>	<u>52,832,324</u>	<u>52,633,798</u>	<u>(198,526)</u>
Expenditures:				
Certificated salaries	27,865,512	28,557,386	28,387,839	169,547
Classified salaries	6,807,134	6,906,375	6,812,397	93,978
Employee benefits	8,986,911	9,160,662	8,886,395	274,267
Books and supplies	3,142,710	4,207,696	2,827,783	1,379,913
Contract services and operating expenditures	4,024,649	4,528,704	3,700,455	828,249
Capital outlay	25,000	323,654	197,718	125,936
Other outgo	939,705	670,619	650,260	20,359
Debt service:				
Principal retirement	105,235	113,780	113,780	
Interest	<u>17,316</u>	<u>19,130</u>	<u>19,130</u>	
Total expenditures	<u>51,914,172</u>	<u>54,488,006</u>	<u>51,595,757</u>	<u>2,892,249</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(173,657)</u>	<u>(1,655,682)</u>	<u>1,038,041</u>	<u>2,693,723</u>
Other financing sources (uses):				
Operating transfers in	255,000	355,000	355,000	
Operating transfers out	(340,667)	(326,870)	(326,870)	
Proceeds from the issuance of long-term liabilities	<u>210,416</u>	<u>234,190</u>	<u>234,722</u>	<u>532</u>
Total other financing sources (uses)	<u>124,749</u>	<u>262,320</u>	<u>262,852</u>	<u>532</u>
Net change in fund balance	(48,908)	(1,393,362)	1,300,893	2,694,255
Fund balance, July 1, 2007	<u>8,644,628</u>	<u>8,644,628</u>	<u>8,644,628</u>	
Fund balance, June 30, 2008	<u>\$ 8,595,720</u>	<u>\$ 7,251,266</u>	<u>\$ 9,945,521</u>	<u>\$ 2,694,255</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

June 30, 2008

ASSETS

Cash on hand and in banks (Note 2)	<u>\$ 152,240</u>
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LIABILITIES

Due to student groups	<u>\$ 152,240</u>
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The accompanying notes are an integral
part of these financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dry Creek Joint Elementary 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 Trustees is the level of government which has governance responsibilities over all activities related to public elementary school education in the District. The District and Dry Creek Joint Elementary School District Community Facilities District No. 1 (the "Facilities District") have a financial and operational relationship which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Facilities District as a component unit of the District. Accordingly, financial activities of the Facilities District have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Facilities District which satisfy GASB Statement No. 14 criteria.

A - Manifestations of Oversight

1. The Facilities District's Board of Directors was appointed by the District's Board of Trustees.
2. The Facilities District has no employees. The District's Superintendent and Assistant Superintendent, Administrative Services function as agents of the Facilities District. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Facilities District as it is anticipated that the District will be the sole lessee of all facilities owned by the Facilities District.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Facilities District must have the consent of the District.
2. Any deficits incurred by the Facilities District will be reflected in the lease payments of the District. Any surpluses of the Facilities District revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Facilities District.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

B - Accounting for Fiscal Matters (Continued)

4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Facilities District.

C - Scope of Public Service and Financial Presentation

1. The Facilities District was created for the sole purpose of financially assisting the District.
2. The Facilities District is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Facilities District was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. When the Facilities District's Mello-Roos Bonds have been paid with state reimbursements and the District's developer fees, title to all of the Facilities District's property will pass to the District for no additional consideration.
3. The Facilities District's financial activity is presented in the financial statements as the Debt Service Funds. Mello-Roos Bonds issued by the Facilities District are included in the District's long-term liabilities.

Basis of Presentation - Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The basic 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 change in the fund financial statements to focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays 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 at the fund financial statement level.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

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

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 balance, revenues and expenditures. 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 two categories which, in aggregate, include five 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.

DRY CREEK JOINT ELEMENTARY 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)

2 - Deferred Maintenance Fund:

The Deferred Maintenance Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

3 - Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for the payment of long-term liabilities for principal and interest related to the General Obligation and Mello-Roos Bond obligations. This classification includes Mello-Roos and Bond Interest and Redemption Funds.

4 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This classification includes County School Facilities, General Obligation Bond Building, Capital Facilities and Special Reserve Funds.

B - Fiduciary Fund Types

1 - Agency Funds:

The Agency Funds are used to account for the various funds for which the District acts as an agent. The District maintains nine agency funds, one each for the student body organizations at Dry Creek School, Heritage Oak School, Antelope Meadows School, Antelope Crossing School, Quail Glen School, Olive Grove School, Coyote Ridge School, Silverado Middle School and Barrett Ranch School.

Basis of Accounting

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

Accrual

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 mello-roos and general obligation long-term liabilities, if any, are recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees 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 Trustees to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented in the basic financial statements.

Stores Inventory

Stores inventory in the General Fund is valued at latest invoice cost and consists primarily of consumable supplies. No inventory records are maintained throughout the year. A physical inventory is performed on June 30 and the inventory and expense account balances are adjusted to reflect the physical count at year end.

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 absence benefits in the amount of \$88,155 are recorded as a liability of the District. The liability is for the earned but unused benefits.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave

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 for STRS and PERS employees, when the employee retires.

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.

Deferred Revenue

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

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 fund, 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 general reserve represents the portion of fund balance represented by the general reserve. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restriction for deferred maintenance represents the portion of net assets restricted for special purposes. The restriction for debt service represents the portion of net assets available for the retirement of debt. The restriction for capital projects represents the portion of net assets restricted for capital projects.

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 Counties of Sacramento and Placer bill and collect taxes for the District. Tax revenues are recognized by the District when received.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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, 2008 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 34,714,465	
Cash in County Treasury, restricted for repayment of TRANS	4,184,212	
Deposits:		
Cash in revolving fund	5,000	
Cash on hand and in banks		\$ 152,240
Cash with Fiscal Agent	<u>3,452,922</u>	<u> </u>
Total	<u>\$ 42,356,599</u>	<u>\$ 152,240</u>

Pooled Funds

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

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

In accordance with applicable state laws, the Placer County Treasurer may invest in derivative securities. However, at June 30, 2008, the Placer County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Cash in County Treasury, Restricted for Repayment of TRANS

On August 31, 2006, the District issued \$3,300,000 of Tax and Revenue Anticipation Notes (TRANS) which matured on September 30, 2007, with interest at 4.0%, to provide for anticipated cash flow deficits from operations. The TRANS were a general obligation of the District and were repaid from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2008.

On August 31, 2007, the District issued \$4,000,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on September 28, 2008, with interest at 4.0%, to provide for anticipated cash flow deficits from operations. The TRANS are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2008. As of June 30, 2008, funds totaling \$4,184,212 held in the General Fund were pledged to repay the principal and accrued interest.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2008, the carrying amount of the District's accounts was \$157,240, and the bank balances were \$168,574, of which \$100,000 was insured by the FDIC.

Cash with Fiscal Agent

Cash with Fiscal Agent represents cash balances held by the Placer County Treasurer and Union Bank of California for the repayment of outstanding Mello-Roos Bonds. The cash balances are fully collateralized at June 30, 2008.

Investment 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, 2008, the District had no significant interest rate risk related to cash and investments held.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Investment 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 Investment Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2008, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District for goods and services 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 interfund receivable and payable balances at June 30, 2008 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
County School Facilities	\$ 4,203,606	\$ 1,390,921
General Obligation Bond Building	639,948	4,203,606
Non-Major Funds:		
Capital Facilities	<u>750,973</u>	<u> </u>
	<u>\$ 5,594,527</u>	<u>\$ 5,594,527</u>

Interfund Transfers

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Interfund transfers for the 2007-2008 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for the state matching requirement.	\$ 306,870
Transfer from the General Fund to the Special Reserve Fund to replenish fund balance.	20,000
Transfer from the General Obligation Bond Building Fund to the County School Facilities Fund to fund various construction projects.	3,708,988
Transfer from the Mello-Roos Fund to the County School Facilities Fund to fund various construction projects.	330,000
Transfer from the Capital Facilities Fund to the County School Facilities Fund to fund various construction projects.	10,117,201
Transfer from the Capital Facilities Fund to the General Fund for developer fee administration costs.	5,000
Transfer from the Special Reserve Fund to the General Fund for the purchase of buses under the bus replacement grant.	100,000
Transfer from the Special Reserve Fund to the General Fund for the materials and supplies (startup costs) for Creekview Ranch Middle School.	<u>250,000</u>
	<u><u>\$ 14,838,059</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions	Transfers	Balance June 30, 2008
Land	\$ 19,751,801	\$ 4,330			\$ 19,756,131
Improvement of sites	15,389,145	9,870			15,399,015
Buildings	95,044,998	1,630,330	\$ 152,145	\$ 173,711	96,696,894
Equipment	3,267,294	80,652	18,462		3,329,484
Work-in-process	<u>13,424,184</u>	<u>32,475,126</u>		<u>(173,711)</u>	<u>45,725,599</u>
Totals, at cost	<u>146,877,422</u>	<u>34,200,308</u>	<u>170,607</u>		<u>180,907,123</u>
Less accumulated depreciation:					
Improvement of sites	(6,496,623)	(752,051)			(7,248,674)
Buildings	(14,147,725)	(2,215,993)	(12,597)		(16,351,121)
Equipment	<u>(1,963,722)</u>	<u>(282,199)</u>	<u>(7,846)</u>		<u>(2,238,075)</u>
Total accumulated depreciation	<u>(22,608,070)</u>	<u>(3,250,243)</u>	<u>(20,443)</u>		<u>(25,837,870)</u>
Capital assets, net	<u>\$ 124,269,352</u>	<u>\$ 30,950,065</u>	<u>\$ 150,164</u>	<u>\$ -</u>	<u>\$ 155,069,253</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 112,157
Supervision of instruction	10,794
Home-to-school transportation	22,880
All other general administration	6,103
Data processing	36,610
Plant services	<u>3,061,699</u>
Total depreciation expense	<u><u>\$ 3,250,243</u></u>

5. LONG-TERM LIABILITIES

General Obligation Bonds, Series A

On May 1, 1997, the District issued General Obligation Bonds in the amount of \$13,033,042 to fund the construction of Silverado Middle School and a new elementary school. The General Obligation Bonds are authorized pursuant to the special election of the registered voters held on March 7, 1995, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District.

The Bonds mature serially in varying amounts during the succeeding years through 2022, with interest rates ranging from 4.40% to 6.10%. Future payments are scheduled as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 965,000	\$ 25,753	\$ 990,753
2010	535,396	534,604	1,070,000
2011	526,142	593,858	1,120,000
2012	519,920	660,080	1,180,000
2013	511,946	728,054	1,240,000
2014-2018	2,441,570	4,743,430	7,185,000
2019-2023	<u>2,278,068</u>	<u>6,886,932</u>	<u>9,165,000</u>
Totals	<u><u>\$ 7,778,042</u></u>	<u><u>\$ 14,172,711</u></u>	<u><u>\$ 21,950,753</u></u>

General Obligation Bonds, Series B

On June 1, 2000, the District issued General Obligation Bonds in the amount of \$8,765,000 to acquire school sites, to acquire, develop and construct new elementary and middle schools, and to renovate existing schools. The General Obligation Bonds are authorized pursuant to the special election of the registered voters held on March 7, 1995, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds, Series B (Continued)

The Bonds mature serially in varying amounts during the succeeding years through 2024, with interest rates ranging from 5.25% to 5.875%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 200,000	\$ 61,363	\$ 261,363
2010	225,000	50,206	275,206
2011	250,000	37,738	287,738
2011	275,000	23,784	298,784
2012	<u>305,000</u>	<u>8,197</u>	<u>313,197</u>
Totals	<u>\$ 1,255,000</u>	<u>\$ 181,288</u>	<u>\$ 1,436,288</u>

2007 General Obligation Refunding Bonds

On November 28 2007, the District issued General Obligation Refunding Bonds in the amount of \$7,465,000. The Refunding Bonds were issued to accomplish a partial advance refunding of the District's General Obligation Bonds, Election of 1995, Series B and to provide funding to acquire school sites, develop and construct new elementary and middle schools. The Refunding Bonds were authorized pursuant to the special election of the registered voters held on March 7, 1995, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District.

The Bonds mature serially in varying amounts during the succeeding years through 2024, with interest rates ranging from 4.00% to 5.25%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 165,000	\$ 320,088	\$ 485,088
2010	45,000	315,887	360,887
2011	45,000	314,088	359,088
2012	50,000	312,188	362,188
2013	50,000	310,188	360,188
2014-2018	2,255,000	1,321,556	3,576,556
2019-2023	3,235,000	706,278	3,941,278
2024-2028	<u>1,620,000</u>	<u>71,478</u>	<u>1,691,478</u>
Totals	<u>\$ 7,465,000</u>	<u>\$ 3,671,751</u>	<u>\$ 11,136,751</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

2008 General Obligation Bonds

On May 30, 2008, the District issued General Obligation Bonds in the amount of \$24,998,345 to fund the modernization of existing schools and construct new schools and classrooms. The General Obligation Bonds are authorized pursuant to the special election of the registered voters held on February 5, 2008, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District.

The Bonds mature serially in varying amounts during the succeeding years through 2033, with interest rates varying from 3.00% to 8.00%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 611,947	\$ 611,947
2010	1,135,000	944,988	2,079,988
2011	100,000	926,463	1,026,463
2012	150,000	922,712	1,072,712
2013	215,000	917,237	1,132,237
2014-2018	2,355,000	4,401,007	6,756,007
2019-2023	5,330,000	3,657,438	8,987,438
2024-2028	9,980,000	1,942,963	11,922,963
2029-2033	<u>5,733,345</u>	<u>10,480,480</u>	<u>16,213,825</u>
Totals	<u>\$ 24,998,345</u>	<u>\$ 24,805,235</u>	<u>\$ 49,803,580</u>

Series 1996 Special Tax Bonds

On January 1, 1996, the District issued Mello-Roos Bonds in the amount of \$9,355,000 for the defeasance of the Series 1991 Special Tax Bonds, and to provide funds for the construction of school facilities. The Mello-Roos Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual Special Tax to be levied and collected on property within the District. The Special Tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 1996 Special Tax Bonds (Continued)

The Bonds mature serially in varying amounts during the succeeding years through 2015 with interest rates ranging from 4.20% to 5.20%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 735,000	\$ 191,245	\$ 926,245
2010	800,000	152,870	952,870
2011	865,000	110,813	975,813
2012	945,000	64,658	1,009,658
2013	250,000	34,060	284,060
2014-2018	<u>530,000</u>	<u>36,920</u>	<u>566,920</u>
Totals	<u>\$ 4,125,000</u>	<u>\$ 590,566</u>	<u>\$ 4,715,566</u>

Series 1996B Special Tax Bonds

On November 1, 1996, the District issued Mello-Roos Bonds in the amount of \$2,900,770 to provide funds for the acquisition and construction of school facilities. The Mello-Roos Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual Special Tax to be levied and collected on property within the District. The Special tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District.

The Bonds mature serially in varying amounts during the succeeding years through 2022, with interest rates ranging from 4.40% to 6.00%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 220,000	\$ 5,720	\$ 225,720
2010	120,672	124,328	245,000
2011	119,561	140,439	260,000
2012	111,410	148,590	260,000
2013	315,248	469,752	785,000
2014-2018	<u>563,879</u>	<u>1,071,121</u>	<u>1,635,000</u>
Totals	<u>\$ 1,450,770</u>	<u>\$ 1,959,950</u>	<u>\$ 3,410,720</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 1999 Special Tax Bonds

On August 1, 1999, the District issued Mello-Roos Bonds in the amount of \$5,254,153 to provide funds for the advance refunding of Series 1995 Special Tax Bonds (with remaining obligation of \$3,690,000) and for the acquisition and construction of school facilities. With the payment to the Escrow Agent to advance refund and defease the District's Series 1995 Special Tax Bonds, the Series 1995 Special Tax Bonds are considered to be defeased, and the obligations have been removed from the District's general purpose financial statements. The Mello-Roos Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual Special Tax to be levied and collected on property within the District. The Special tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District.

The Bonds mature serially in varying amounts during the succeeding years through 2020, with interest rates ranging from 3.60% to 5.75%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 300,000	\$ 158,965	\$ 458,965
2010	330,000	144,153	474,153
2011	355,000	127,618	482,618
2012	390,000	109,170	499,170
2013	420,000	88,710	508,710
2014-2018	1,687,410	474,025	2,161,435
2019-2023	<u>106,743</u>	<u>213,257</u>	<u>320,000</u>
Totals	<u>\$ 3,589,153</u>	<u>\$ 1,315,898</u>	<u>\$ 4,905,051</u>

Series 2003 Special Tax Bonds

On August 1, 2003, the District issued Mello-Roos Bonds in the amount of \$9,600,000 to provide funds for the acquisition and construction of school facilities. The Mello-Roos Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual Special Tax to be levied and collected on property within the District. The Special tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 2003 Special Tax Bonds (Continued)

The Bonds mature serially in varying amounts during the succeeding years through 2026, with interest rates ranging from 3.0% to 5.0%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 210,000	\$ 402,561	\$ 612,561
2010	230,000	393,861	623,861
2011	255,000	384,036	639,036
2012	290,000	372,586	662,586
2013	320,000	361,751	681,751
2014-2018	2,140,000	1,580,669	3,720,669
2019-2023	3,780,000	910,953	4,690,953
2024-2028	<u>1,835,000</u>	<u>105,516</u>	<u>1,940,516</u>
Totals	<u>\$ 9,060,000</u>	<u>\$ 4,511,933</u>	<u>\$ 13,571,933</u>

Series 2005 Special Tax Bonds

On August 1, 2005, the District issued Mello-Roos Bonds in the amount of \$3,150,000 to provide funds for the acquisition and construction of school facilities. The Mello-Roos Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual Special Tax to be levied and collected on property within the District. The Special tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District.

The Bonds mature serially in varying amounts during the succeeding years through 2029, with interest rates ranging from 3.0% to 5.0%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 45,000	\$ 132,644	\$ 177,644
2010	50,000	131,100	181,100
2011	60,000	129,238	189,238
2012	65,000	127,050	192,050
2013	70,000	124,687	194,687
2014-2018	515,000	571,756	1,086,756
2019-2023	805,000	436,913	1,241,913
2024-2028	1,275,000	209,513	1,484,513
2029-2033	<u>215,000</u>	<u>5,053</u>	<u>220,053</u>
Totals	<u>\$ 3,100,000</u>	<u>\$ 1,867,954</u>	<u>\$ 4,967,954</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

2007 Certificates of Participation

On July 19, 2007, the District issued \$11,620,000 of Certificates of Participation, with interest rates ranging from 3.75% to 4.75%, to provide funding for costs associated with the construction of the Creekview Ranch Middle School.

The District's future obligations on the Certificates are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 537,664	\$ 537,664
2010	-	537,664	537,664
2011	65,000	536,445	601,445
2012	80,000	533,726	613,726
2013	95,000	530,398	625,398
2014-2018	745,000	2,575,228	3,320,228
2019-2023	1,285,000	2,363,541	3,648,541
2024-2028	2,030,000	1,992,634	4,022,634
2029-2033	3,010,000	1,402,438	4,412,438
2034-2038	<u>4,310,000</u>	<u>540,313</u>	<u>4,850,313</u>
Totals	<u>\$ 11,620,000</u>	<u>\$ 11,550,051</u>	<u>\$ 23,170,051</u>

Capitalized Lease Obligations

The District leases certain portable classrooms and office equipment under capital lease agreements.

The following is a schedule of future minimum lease payments as of June 30, 2008:

<u>Year Ending June 30,</u>	
2009	\$ 129,133
2010	<u>85,974</u>
Total payments	215,107
Less amount representing interest	<u>(14,518)</u>
Net minimum lease payments	<u>\$ 200,589</u>

Early Retirement Incentive

In 2002-2003, the District entered into an agreement with the Dry Creek Teacher's Association for an early retirement incentive program. The program offered qualifying teachers \$5,424 per year for health benefits until the retired employee reached age 65, or upon his/her death, whichever is sooner. Two teachers are receiving this benefit.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. LONG-TERM LIABILITIES (Continued)

Early Retirement Incentive (Continued)

The retiring superintendent's contract included \$4,000 annually, for a period of five years to be applied toward health benefits.

The total liability at June 30, 2008 was \$27,820.

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Restatement (Note 10)	Restated Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
General Obligation Bonds	\$ 16,823,042		\$ 16,823,042	\$ 32,463,345	\$ 7,790,000	\$ 41,496,387	\$ 1,330,000
Mello-Roos Bonds	22,699,923		22,699,923		1,375,000	21,324,923	1,510,000
Accreted interest		\$ 6,775,043	6,775,043	913,663		7,688,706	
Unamortized discount	253,744		253,744	1,410,139	55,962	1,607,921	
Certificate of Participation				11,620,000		11,620,000	
Capitalized lease obligations	119,587		119,587	234,722	153,720	200,589	118,985
Early retirement incentive	42,668		42,668		14,848	27,820	14,848
Compensated absences	72,508		72,508	88,155	72,508	88,155	88,155
	<u>\$ 40,011,472</u>	<u>\$ 6,775,043</u>	<u>\$ 46,786,515</u>	<u>\$ 46,730,024</u>	<u>\$ 9,462,038</u>	<u>\$ 84,054,501</u>	<u>\$ 3,061,988</u>

Payments and amortization of discounts relating to the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments relating to the Mello-Roos Bonds are made from the Mello-Roos Fund. Payments on the Capitalized lease obligations are made from the General and Capital Facilities Funds. Payments on the compensated absences and early retirement incentive are made from the fund for which the related employee worked.

6. RESTRICTED NET ASSETS AND DESIGNATED FUND BALANCES

The restricted net assets as of June 30, 2008 consisted of the following:

	<u>Governmental Activities</u>
Restricted for revolving cash fund	\$ 5,000
Restricted for prepaid expenditures	1,924,144
Restricted for stores inventory	2,116
Restricted for general reserve (EC 42124)	1,038,453
Restricted for unspent categorical program revenues	2,160,073
Restricted for deferred maintenance	41,757
Restricted for debt service	2,426,955
Restricted for capital projects	<u>21,947,482</u>
	<u>\$ 29,545,980</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. RESTRICTED NET ASSETS AND DESIGNATED FUND BALANCES (Continued)

The designated fund balances as of June 30, 2008 consisted of the following:

	<u>Governmental Funds</u>
Designated for economic uncertainties	\$ 2,076,906
Other designations	<u>1,533,431</u>
	<u><u>\$ 3,610,337</u></u>

7. EMPLOYEE RETIREMENT SYSTEMS

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

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 (6.2% of monthly salary over \$133.33 if the member participates in Social Security), 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 2007-2008 was 9.31% 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, 2006, 2007 and 2008 were \$460,522, \$502,432 and \$540,480, respectively, and equal 100% of the required contributions for each year.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2007-2008 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, 2006, 2007 and 2008 were \$1,978,986, \$2,165,018 and \$2,315,693, respectively, and equal 100% of the required contributions for each year.

8. JOINT POWERS AGREEMENT

Schools Insurance Group

The District is a member of a Joint Powers Authority, Schools Insurance Group (SIG), for the operation of a common risk management and insurance program. The program covers workers' compensation, property/liability, and health and welfare insurance. The membership includes the school districts in Placer and Nevada counties and their respective County Offices. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SIG, including selections of management and approval of operating budgets.

The following is a summary of financial information for SIG at June 30, 2007 (the latest date for which such information is available):

Total assets	\$ 58,854,070
Total liabilities	\$ 25,488,142
Total net assets	\$ 33,365,928
Total revenues	\$ 74,696,353
Total expenses	\$ 58,860,194
Change in net assets	\$ 15,836,159

The relationship between the District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. 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.

Also, the District has received state and federal funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any requirements will not be material.

10. RESTATEMENT

It was determined that accreted interest on General Obligation and Mello-Roos Bonds (Note 5) was not recorded in the prior period resulting in an understatement of long-term liabilities of \$6,775,043. Accordingly, net assets as of July 1, 2007 have been adjusted to account for the adjusted long-term liability for accreted interest.

11. SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes

On August 26, 2008, the District issued \$3,800,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on September 9, 2009, with interest at 2.0%, to provide for anticipated cash flow deficits from operations. The TRANS are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2009.

SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2008

	Deferred Maintenance Fund	Mello-Roos Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Special Reserve Fund	Total
ASSETS						
Cash in County Treasury	\$ 41,757		\$ 2,417,185	\$ 340,940	\$ 289,255	\$ 3,089,137
Cash with Fiscal Agent		\$ 2,618,029		834,893		3,452,922
Accounts receivable		9,770				9,770
Due from other funds				750,973		750,973
Total assets	<u>\$ 41,757</u>	<u>\$ 2,627,799</u>	<u>\$ 2,417,185</u>	<u>\$ 1,926,806</u>	<u>\$ 289,255</u>	<u>\$ 7,302,802</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable				\$ 33,549		\$ 33,549
Fund balances	<u>\$ 41,757</u>	<u>\$ 2,627,799</u>	<u>\$ 2,417,185</u>	<u>1,893,257</u>	<u>\$ 289,255</u>	<u>7,269,253</u>
Total liabilities and fund balances	<u>\$ 41,757</u>	<u>\$ 2,627,799</u>	<u>\$ 2,417,185</u>	<u>\$ 1,926,806</u>	<u>\$ 289,255</u>	<u>\$ 7,302,802</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2008

	<u>Deferred Maintenance Fund</u>	<u>Mello-Roos Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve Fund</u>	<u>Total</u>
Revenues:						
Other state sources	\$ 279,526					\$ 279,526
Other local sources	<u>6,354</u>	<u>\$ 2,881,988</u>	<u>\$ 2,536,098</u>	<u>\$ 879,010</u>	<u>\$ 26,216</u>	<u>6,329,666</u>
Total revenues	<u>285,880</u>	<u>2,881,988</u>	<u>2,536,098</u>	<u>879,010</u>	<u>26,216</u>	<u>6,609,192</u>
Expenditures:						
Books and supplies				3,896		3,896
Contract services and operating expenditures	21,026		186,129	1,110,831		1,317,986
Capital outlay	<u>1,475,181</u>			<u>16,810</u>		<u>1,491,991</u>
Debt service:						
Principal retirement		1,375,000	7,790,000	39,940		9,204,940
Interest		<u>971,818</u>	<u>1,060,716</u>	<u>272,050</u>		<u>2,304,584</u>
Total expenditures	<u>1,496,207</u>	<u>2,346,818</u>	<u>9,036,845</u>	<u>1,443,527</u>		<u>14,323,397</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,210,327)</u>	<u>535,170</u>	<u>(6,500,747)</u>	<u>(564,517)</u>	<u>26,216</u>	<u>(7,714,205)</u>
Other financing sources (uses):						
Operating transfers in	306,870				20,000	326,870
Operating transfers out		(330,000)		(10,122,201)	(350,000)	(10,802,201)
Proceeds from the issuance of long-term liabilities			<u>7,465,000</u>	<u>11,620,000</u>		<u>19,085,000</u>
Total other financing sources (uses)	<u>306,870</u>	<u>(330,000)</u>	<u>7,465,000</u>	<u>1,497,799</u>	<u>(330,000)</u>	<u>8,609,669</u>
Net change in fund balances	(903,457)	205,170	964,253	933,282	(303,784)	895,464
Fund balances, July 1, 2007	<u>945,214</u>	<u>2,422,629</u>	<u>1,452,932</u>	<u>959,975</u>	<u>593,039</u>	<u>6,373,789</u>
Fund balances, June 30, 2008	<u>\$ 41,757</u>	<u>\$ 2,627,799</u>	<u>\$ 2,417,185</u>	<u>\$ 1,893,257</u>	<u>\$ 289,255</u>	<u>\$ 7,269,253</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
ALL AGENCY FUNDS

For the Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>Dry Creek School</u>				
Assets:				
Cash on hand and in banks	\$ 908	\$ 20,815	\$ 21,355	\$ 368
Liabilities:				
Due to student groups	\$ 908	\$ 20,815	\$ 21,355	\$ 368
<u>Heritage Oak School</u>				
Assets:				
Cash on hand and in banks	\$ 1,903	\$ 1,044	\$ 1,119	\$ 1,828
Liabilities:				
Due to student groups	\$ 1,903	\$ 1,044	\$ 1,119	\$ 1,828
<u>Antelope Meadows School</u>				
Assets:				
Cash on hand and in banks	\$ 2,186	\$ 2,126	\$ 3,160	\$ 1,152
Liabilities:				
Due to student groups	\$ 2,186	\$ 2,126	\$ 3,160	\$ 1,152
<u>Antelope Crossing School</u>				
Assets:				
Cash on hand and in banks	\$ 47,738	\$ 248,009	\$ 237,930	\$ 57,817
Liabilities:				
Due to student groups	\$ 47,738	\$ 248,009	\$ 237,930	\$ 57,817
<u>Quail Glen School</u>				
Assets:				
Cash on hand and in banks	\$ 671	\$ 2,372	\$ 2,013	\$ 1,030
Liabilities:				
Due to student groups	\$ 671	\$ 2,372	\$ 2,013	\$ 1,030

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

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

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>Olive Grove School</u>				
Assets:				
Cash on hand and in banks	\$ 1,384	\$ -	\$ 792	\$ 592
Liabilities:				
Due to student groups	\$ 1,384	\$ -	\$ 792	\$ 592
<u>Coyote Ridge School</u>				
Assets:				
Cash on hand and in bank	\$ 3,081	\$ 2,367	\$ 1,539	\$ 3,909
Liabilities:				
Due to student groups	\$ 3,081	\$ 2,367	\$ 1,539	\$ 3,909
<u>Silverado Middle School</u>				
Assets:				
Cash on hand and in bank	\$ 74,973	\$ 228,655	\$ 221,572	\$ 82,056
Liabilities:				
Due to student groups	\$ 74,973	\$ 228,655	\$ 221,572	\$ 82,056
<u>Barrett Ranch School</u>				
Assets:				
Cash on hand and in bank	\$ 1,685	\$ 12,155	\$ 10,352	\$ 3,488
Liabilities:				
Due to student groups	\$ 1,685	\$ 12,155	\$ 10,352	\$ 3,488
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 134,529	\$ 517,543	\$ 499,832	\$ 152,240
Liabilities:				
Due to student groups	\$ 134,529	\$ 517,543	\$ 499,832	\$ 152,240

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

ORGANIZATION

June 30, 2008

Dry Creek Joint Elementary School District was established in 1876 and is comprised of an area of approximately 17 square miles located in Placer and Sacramento Counties. There were no changes in the boundaries of the District during the current year. As of June 30, 2008, the District is operating seven elementary schools and two middle schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Tracy Pittman	President	December 2010
Ryan Darke	Clerk	December 2008
Diane Howe	Member	December 2010
Barry Stillman	Member	December 2008
Anne Silberstein	Member	December 2010

ADMINISTRATION

Mark Geyer
Superintendent

Bradley Tooker
Deputy Superintendent

Gordon Medd
Assistant Superintendent, Administrative Services

Evonne Rogers
Assistant Superintendent, Educational Services

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2008

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	649	650
First through Third	2,259	2,260
Fourth through Sixth	2,399	2,400
Seventh and Eighth	1,669	1,668
Home and Hospital	5	7
Special Education	<u>142</u>	<u>144</u>
Totals	<u><u>7,123</u></u>	<u><u>7,129</u></u>
		<u>Hours of Attendance</u>
Summer School:		
Elementary		<u><u>48,572</u></u>

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2008

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2007-08 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,900	180	In Compliance
Grade 1	50,400	41,360	51,350	180	In Compliance
Grade 2	50,400	41,360	51,350	180	In Compliance
Grade 3	50,400	41,360	51,350	180	In Compliance
Grade 4	54,000	52,800	54,690	180	In Compliance
Grade 5	54,000	52,800	54,690	180	In Compliance
Grade 6	54,000	52,800	54,690	180	In Compliance
Grade 7	54,000	52,800	54,680	180	In Compliance
Grade 8	54,000	52,800	54,680	180	In Compliance

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed IDEA Basic Local Assistance	13379	\$ 969,778
84.027	Special Ed IDEA Local Assistance, Part B:		
	Private School ISPs	10115	2,485
84.173	Special Ed IDEA Preschool Grant	13430	43,592
84.027A	Special Ed IDEA Preschool Grant Local Entitlement	13682	<u>134,379</u>
	Subtotal Special Education Cluster		<u>1,150,234</u>
84.010	NCLB: Title I, Part A: Basic Grants Low Income and Neglected	13797	212,662
84.298A	NCLB: Title V, Part A: Innovative Education Strategies	14354	5,047
84.318	NCLB: Title II, Part D: Enhancing Education through Technology	14334	1,038
84.186	NCLB: Title IV, Part A: Drug Free Schools	13453	6,954
84.367	NCLB: Title II, Part A: Teacher Quality	14341	70,415
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	10084	80,492
84.365	NCLB: Title III, Immigrant Education Program	14346	19,855
84.367	NCLB: Title II, Part A: Admin Training	14344	<u>13,143</u>
	Total U.S. Department of Education		<u>1,559,840</u>
<u>U.S. Department of Health and Human Services</u>			
93.778	Medi-Cal Administrative Activities	10060	<u>106,600</u>
	Total Federal Programs		<u>\$ 1,666,440</u>

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2008

	<u>(Budget)</u> <u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 51,499,141	\$ 53,223,520	\$ 51,792,010	\$ 46,098,930
Expenditures	52,908,945	51,595,757	48,570,448	44,552,574
Other uses and transfers out	<u>300,000</u>	<u>326,870</u>	<u>611,590</u>	<u>1,143,643</u>
Total outgo	<u>53,208,945</u>	<u>51,922,627</u>	<u>49,182,038</u>	<u>45,696,217</u>
Change in fund balance	\$ <u>(1,709,804)</u>	\$ <u>1,300,893</u>	\$ <u>2,609,972</u>	\$ <u>402,713</u>
Ending fund balance	\$ <u>8,235,717</u>	\$ <u>9,945,521</u>	\$ <u>8,644,628</u>	\$ <u>6,034,656</u>
Available reserves	\$ <u>2,536,475</u>	\$ <u>5,031,448</u>	\$ <u>3,512,605</u>	\$ <u>2,723,748</u>
Designated for economic uncertainties	\$ <u>2,128,358</u>	\$ <u>2,076,906</u>	\$ <u>1,967,283</u>	\$ <u>1,827,849</u>
Undesignated fund balance	\$ <u>408,117</u>	\$ <u>2,954,542</u>	\$ <u>1,545,322</u>	\$ <u>895,899</u>
Available reserves as percentages of total outgo	<u>4.8%</u>	<u>9.7%</u>	<u>7.1%</u>	<u>6.0%</u>
Total long-term liabilities	\$ <u>81,082,513</u>	\$ <u>84,054,501</u>	\$ <u>40,011,472</u>	\$ <u>42,296,721</u>
Average daily attendance at P-2	<u>7,124</u>	<u>7,123</u>	<u>7,156</u>	<u>7,016</u>

The General Fund fund balance has increased by \$4,313,578 over the past three years. The District projects a decrease of \$1,709,804 for the year ending June 30, 2009. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. The District has met this requirement.

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating deficit during the year ending June 30, 2009.

Total long-term liabilities have increased by \$41,757,780 over the past two years.

Average daily attendance has increased by 107 over the past two years and is anticipated to increase by 1 during the year ending June 30, 2009.

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2008

Charter Schools Chartered by District

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

The District does not sponsor any charter schools.

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

For the Year Ended June 30, 2008

Contract or Bargaining Agreement	Title of Employee
The District has no contracts that allow excess sick leave.	

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY 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 of 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 presented on the modified accrual basis of accounting.

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

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

E - Schedule of Financial Trends and Analysis

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2008-2009 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 Excess Sick Leave

This schedule provides information to the California State Teachers' Retirement System to monitor the granting of excess sick leave by school districts.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

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 Section 22714 and 44929. For the fiscal year ended June 30, 2008, the District did not adopt this program.

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

Board of Trustees
Dry Creek Joint Elementary School District
Roseville, California

We have audited the compliance of Dry Creek Joint Elementary 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, 2008. Compliance with the requirements of state laws and regulations is the responsibility of Dry Creek Joint Elementary School District's management. Our responsibility is to express an opinion on Dry Creek Joint Elementary 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 Dry Creek Joint Elementary 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 Dry Creek Joint Elementary 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	No, See Below
Continuation Education	10	No, See Below
Adult Education	9	No, See Below
Regional Occupational Center and Programs	6	No, See Below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, See Below
Community Day Schools	9	No, See Below
Morgan Hart Class Size Reduction Program	7	No, See Below
Instructional Materials:		
General requirements	12	Yes
Grades K-8	1	Yes
Grades 9-12	1	No, See Below
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 Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes

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

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Notification of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	No, See Below
School Accountability Report Card	3	No, See Below
Mathematics and Reading Professional Development	4	No, See Below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, See Below
Districts with only one school serving K-3	4	No, See Below
After School Education and Safety Program:		
General requirements	4	No, See Below
After school	4	No, See Below
Before school	5	No, See Below
Contemporaneous Records of Attendance		
for Charter Schools	1	No, See Below
Mode of Instruction, for Charter Schools	1	No, See Below
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	No, See Below
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	No, See Below
Annual Instructional Minutes - Classroom-Based, for Charter Schools	3	No, See Below

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

The District does not operate a Continuation Education Program; therefore, we did not perform any testing of Continuation Education ADA.

The District does not operate an Adult Education Program; therefore, we did not perform any testing of Adult Education ADA.

The District does not operate an ROC/P Program; therefore, we did not perform any testing of ROC/P ADA.

The School District is not a County Office; therefore, we did not perform any procedures related to County Office Instructional Time Incentives.

The District does not operate a Community Day School Program; therefore, we did not perform any testing of Community Day School ADA.

The District does not have any 9th grade classes; therefore, we did not perform any procedures related to Morgan Hart Class Size Reduction.

The District does not have grades 9 through 12; therefore, we did not perform any procedures related to Instructional Materials for Grades 9 through 12.

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

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform steps a through d.

The District does not participate in the Cal-SAFE Program; therefore, we did not perform any procedures related to the Cal-SAFE Program.

The 2007-2008 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, 2008, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Accordingly, we could not perform the portions of the audit steps (a), (b) and (c) of Section 19837 of the 2007-2008 fiscal year to the 2007-2008 School Accountability Report Cards.

The District did not receive Math and Professional Development funding in the current year; therefore, we did not perform any procedures related to Math and Professional Development.

The District does not participate in Option Two of CSR; therefore, we did not perform any procedures related to Option Two.

The District does not have only one school serving grades K through 3; therefore, we did not perform any procedures relating to one school serving grades K through 3 for the Class Size Reduction Program.

The District did not receive After School Education and Safety funding in the current year; therefore, we did not perform any procedures related to After School Education and Safety.

The District does not have any Charter Schools; therefore, we did not perform any of the testing required by Article 4 of the Audit Guide.

In our opinion, Dry Creek Joint Elementary School District complied with the state laws and regulations referred to above for the year ended June 30, 2008, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Dry Creek Joint Elementary School District had not complied with the state laws and regulations.

This report is intended solely for the information of the Board of Trustees, 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 LLP

Sacramento, California
December 8, 2008

**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 Trustees
Dry Creek Joint Elementary School District
Roseville, California

We have audited the financial statements of Dry Creek Joint Elementary School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. 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 Dry Creek Joint Elementary 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 Dry Creek Joint Elementary School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Dry Creek Joint Elementary School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

**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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dry Creek Joint Elementary 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*.

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended 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 8, 2008

**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 Trustees
Dry Creek Joint Elementary School District
Roseville, California

Compliance

We have audited the compliance of Dry Creek Joint Elementary 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, 2008. Dry Creek Joint Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit 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 Dry Creek Joint Elementary School District's management. Our responsibility is to express an opinion on Dry Creek Joint Elementary 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 Dry Creek Joint Elementary 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 Dry Creek Joint Elementary School District's compliance with those requirements.

In our opinion, Dry Creek Joint Elementary 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, 2008.

Internal Control Over Compliance

The management of Dry Creek Joint Elementary 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 Dry Creek Joint Elementary 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 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 Dry Creek Joint Elementary 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 control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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 that might be 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 Trustees, 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 8, 2008

FINDINGS AND RECOMMENDATIONS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

Noncompliance material to financial statements noted?

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

FEDERAL AWARDS

Internal control over major programs:

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

Type of 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	<u> X </u> No
--	-----------	-----------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

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

STATE AWARDS

Internal control over state programs:

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

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS

1. INTERNAL CONTROL - STUDENT BODY (30000)

Criteria

Internal Control - Safeguarding of Assets

Condition

At Antelope Crossing Middle School:

- There is no reconciliation of sales to cash received for the student store. There is no daily/weekly record of items sold in the student store.
- There is no profit and loss statement being prepared and reviewed for the student store.
- A receipt is not issued when funds are turned into the ASB Advisory/Secretary.

Effect

There exists the risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

We recommend the following:

- The student store keep a daily/weekly record of the items sold and reconcile that record to cash received. A periodic physical inventory of the student store should also take place.
- A profit and loss report for the store should be prepared and reviewed to ensure that the activities are correctly recorded.
- A receipt book should be maintained by the ASB Secretary and receipts should be issued when funds are turned in.

Corrective Action Plan

School sites will receive additional training on student body internal controls for receipts, disbursements and reporting.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2008

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2008

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2. STATE COMPLIANCE - ATTENDANCE (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At Antelope Crossing Middle School, one student was improperly counted as present for one day of apportionment attendance.

Effect

Extrapolated overstatement of 2.07 ADA.

Cause

The documentation of the absence did not agree to what was recorded in the attendance system.

Fiscal Impact

There is no fiscal impact as District receives apportionment based on prior year's ADA due to declining enrollment.

Recommendation

We recommend that District implement procedures to ensure that attendance records and excuse notes are updated to accurately reflect if a student is present or absent. Additionally, the District should revise and re-submit the Period Two Report of Attendance to reflect the removal of the disallowed ADA.

Corrective Action Plan

The District has revised and resubmitted their second period report of attendance and will implement the procedures recommended.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2008

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

3. STATE COMPLIANCE - PROPOSITION 20 (40000)

Criteria

Ed Code Section 60010 (h) - Proposition 20 Lottery Funds are to be used for instructional materials, technology-based materials and other educational materials and tests as outlined that are designed for use by pupils and their teachers as a learning resource to help acquire facts, skills or opinions or to develop cognitive processes.

Condition

Materials were purchased using Proposition 20 funds that did not meet the criteria set forth in the education code.

Effect

The purchases were not allowable expenditures from the Proposition 20 Fund resource code.

Cause

The District believed these expenditures to be allowable, based on their interpretation of the education code.

Fiscal Impact

The questioned cost of the exceptions plus the extrapolated error is \$3,898.

Recommendation

The District should reclass the disallowed expenditures from the Proposition 20 Lottery Funds.

Corrective Action Plan

The disallowed expenditures have been reclassified.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2008

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2007-1 Individuals are able to enter and approve journal entries using another individual's username and password. The District should implement procedures to ensure that usernames and passwords are not shared among personnel and that proper segregation of duties is maintained at all times.	Implemented.	
2007-2 Monthly attendance reports for both Quail Glenn Elementary and Silverado Middle School did not tie to the District summary report for the Second Period Report of Attendance. The District should implement procedures to ensure proper reporting of all attendance records.	Partially implemented.	See current year finding Section IV, Finding Number 2.