

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COUNTIES OF SACRAMENTO AND PLACER
ROSEVILLE, CALIFORNIA**

**MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

For the Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Background:	
Legislative History	2
Dry Creek Joint Elementary School District Measure E General Obligation Bonds	2-5
Performance Audit:	
Objectives	6
Scope	6
Methodology	6
Conclusions	6
Attachment I – Schedule of Selected Measure E Bond Expenditures	7

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Measure E Citizens' Oversight Committee
Dry Creek Joint Elementary School District
Roseville, California

We have conducted a performance audit of the Dry Creek Joint Elementary School District (the "District") Measure E General Obligation Bond funds for the year ended June 30, 2010.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objective of our performance audit was to determine if Dry Creek Joint Elementary School District expended Measure E General Obligation Bond funds for the year ended June 30, 2010 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution:

"A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed."

Solely to assist us in planning and performing our performance audit, we made a study and evaluation of the internal controls of Dry Creek Joint Elementary School District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

In our opinion, Dry Creek Joint Elementary School District expended Measure E General Obligation Bond funds for the year ended June 30, 2010 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

Perry-Smith LLP

November 22, 2010

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION**

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT MEASURE E GENERAL OBLIGATION BONDS

On February 5, 2008, the electorate of the Dry Creek Joint Elementary School District approved the \$67,300,000 Measure E general obligation bonds with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

"By approval of this proposition by at least 55% of the registered voters voting on the proposition, the Dry Creek Joint Elementary School District shall be authorized to issue and sell bonds of up to \$67,300,000 in aggregate the principal amount to provide financing for the specific school facilities projects listed in the Bond Project List attached hereto as Attachment I, subject to all of the accountability safeguards specified."

Antelope Crossing Middle School

Acquire and install digital classroom technology infrastructure for approximately 43 existing classrooms; construct/convert/outfit a computer lab; safety surveillance systems; construct and equip visual and performing arts (band) classroom; exterior ground and field improvements including renovation and/or acquisition and construction of turf field, long jump facility, irrigation systems, and bleachers.

Antelope Meadows School

Acquire and install digital classroom technology infrastructure for approximately 40 existing classrooms; science lab upgrades; safety surveillance systems; parking lot expansion.

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT MEASURE E GENERAL
OBLIGATION BONDS (Continued)**

Barrett Ranch School

Science lab upgrades; purchase of approximately 3 acres of additional land; construct approximately 12 new classrooms; exterior site improvements including concrete flatwork; exterior shade structures; exterior student seating.

Coyote Ridge School

Acquire and install digital classroom technology infrastructure for approximately 40 existing classrooms; science lab upgrades; furniture for small group computer labs in small group instructional rooms; upgrade library/media center shelving; safety surveillance systems; exterior shade structures.

Creekview Ranch Middle School

Phase 2 Construction including approximately 24 new classrooms, multi-purpose-room/gym, approximately 6 science labs for 7th and 8th grades, portable facilities for temporary library, administrative offices and some classrooms; Phase 3 Construction including permanent library, safety surveillance systems, computer lab, science labs for 6th grade, main office; and paying off any portion of District interim lease financings of the foregoing (which may be affected by the amount and timing of State reimbursements).

Dry Creek

Acquire and install digital classroom technology infrastructure for approximately 25 existing classrooms; science lab upgrades; demolish old bus barn; new multi-purpose room; new entry; new utility infrastructure; exterior ground and field improvements including site work and landscaping; safety surveillance systems; construct/convert/outfit a computer lab.

Future Elementary School

Construct, on land already owned by the District, approximately 50,000 square feet (which is about two-thirds) of a new elementary school including classrooms, multi-purpose room/cafeteria, kindergarten, safety surveillance systems, and main office including library and computer lab.

Heritage Oak School

Acquire and install digital classroom technology infrastructure for approximately 32 existing classrooms; construct/convert/outfit a computer lab; remodeling of approximately two existing classrooms including removal of partitions and conversion to small group learning centers; science lab upgrades; upgrade to playground equipment; safety surveillance systems.

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT MEASURE E GENERAL
OBLIGATION BONDS (Continued)**

Olive Grove School

Acquire and install digital classroom technology infrastructure for approximately 35 existing classrooms; construct/convert/outfit a small group learning center classroom; science lab upgrades; safety surveillance systems; construct/convert/outfit computer lab.

Quail Glen School

Acquire and install digital classroom technology infrastructure for approximately 35 existing classrooms; construct/convert/outfit a small group learning center classroom; science lab upgrades; visual and performing arts renovations including dishwasher, music office and permanent storage; safety surveillance systems; construct/convert/outfit computer lab.

Silverado Middle School

Acquire and install digital classroom technology infrastructure for approximately 45 existing classrooms; construct/convert/outfit computer lab; add gymnasium storage; visual and performing arts renovations including new windows and drama storage; exterior ground and field improvements including stripping asphalt, and renovation and/or acquisition and construction of long jump facility, bleachers, drainage, and baseball diamond.

All School Sites

Replace worn/broken/out of date student desks and classroom furniture and equipment.

Other Necessary and Incidental Work (in connection with bond financed projects at all school sites)

- Remove and dispose of, or otherwise remediate, hazardous materials, e.g. asbestos, lead, etc., where necessary.
- Address unforeseen conditions revealed by construction/modernization (e.g., plumbing or gas line breaks, dry rot, seismic, structural, etc.).
- Other improvements required to comply with existing building codes, including the Field Act, and access requirements of the Americans with Disabilities Act.
- Furnishing and equipping of newly constructed classrooms and facilities.
- Necessary site preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, drainage, utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property.
- Rent or construct storage facilities and other space on an interim basis, as needed to accommodate construction materials, equipment, and personnel, and interim classrooms (including relocatables) for students and school functions or other storage for classroom materials displaced during construction.
- Acquisition of any of the facilities on the Bond Project List through temporary lease or lease-purchase arrangements, or execute purchase option under a lease for any of these authorized facilities.

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION
(Continued)**

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT MEASURE E GENERAL
OBLIGATION BONDS (Continued)**

Other Necessary and Incidental Work (in connection with bond financed projects at all school sites) (Continued)

- For any project involving rehabilitation or renovation of a building or the major portion of the building, the District shall be authorized to proceed with new replacement construction instead, if the Board of Trustees determines that replacement and new construction is more economically practical than rehabilitation and renovation, considering the building's age, condition, expected remaining life, and other relevant factors.
- All other costs incidental to and necessary for completion of the foregoing.

The above listing does not suggest any particular priority for construction amongst the proposed projects.

All bond expenditures are subject to review by a Citizens' Oversight Committee which reports to the public, as provided in Education Code Section 15278 *et seq.*

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. Repayment of the bonds is made 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%.

On May 20, 2009, the District issued General Obligation Bonds in the amount of \$11,558,677 to fully prepay the 2007 Certificates of Participation and to fund the modernization of existing schools and construct new schools. Repayment of the bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds mature serially in carrying amounts during the succeeding years through 2049, with interest rates varying from 2.00% to 9.55%.

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS**

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure E General Obligation Bond funds for the year ended June 30, 2010 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure E General Obligation Bond project expenditures for the year ended June 30, 2010 (the "List"). An approximate total of 217 transactions were identified, representing \$1,641,452 in expenditures from July 1, 2009 through June 30, 2010.

METHODOLOGY

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2010:

- Verified the mathematical accuracy of the List.
- Agreed the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2010, presented as the Building Fund.
- Selected a sample of 40 expenditures totaling \$1,349,548. See listing at Attachment I. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 18% of the number of expenditures and 82% of the total expenditure value. Verified that funds were used for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities and that funds were not spent for salaries or other administrative expenses.

CONCLUSIONS

- Dry Creek Joint Elementary School District expended Measure E General Obligation Bond funds for the year ended June 30, 2010 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF SELECTED MEASURE E BOND EXPENDITURES
For the Fiscal Year Ended June 30, 2010

<u>Date</u>	<u>Description</u>	<u>Amount</u>
07/24/2009	Computers for Lab	\$ 12,075
07/24/2009	Computers for Lab	12,075
07/31/2009	Computers for Lab	2,257
07/31/2009	Computers for Lab	12,038
08/14/2009	Shade Structure	10,395
08/21/2009	ACMS Band	113,342
08/21/2009	CR Shade Structure	14,895
08/21/2009	BR Shade Structure	14,895
08/28/2009	Paving	91,294
09/04/2009	ACMS Band	34,898
09/04/2009	Shade Structure	2,080
10/02/2009	Permanent Construction	222,755
10/08/2009	Cornerstone Designs	39,357
10/23/2009	CRMS – Monument Sign	42,916
10/30/2009	Digital Classroom	2,766
11/13/2009	Safety and Security	14,827
11/13/2009	Permanent Construction	19,763
12/04/2009	Shade Structure Inspection	5,718
12/04/2009	CRMS – Bleacher Installation	9,000
12/11/2009	Paving	11,800
12/11/2009	Permanent Construction	3,275
01/08/2010	Permanent Construction	647
01/15/2010	ACMS Field Upgrade	5,833
01/15/2010	Permanent Construction	44,963
01/29/2010	Permanent Construction	8,315
03/05/2010	Switches	4,892
04/16/2010	SMS Band Room Improvements	100
04/16/2010	SMS Band Room Improvements	1,027
04/16/2010	SMS Band Room Improvements	758
04/30/2010	Video Equipment	13,657
05/14/2010	Permanent Construction	269,546
05/25/2010	Permanent Construction	7,547
05/28/2010	Permanent Construction	9,773
06/02/2010	Digital Classroom	14,760
06/18/2010	Digital Classrooms Equipment	39,625
06/18/2010	Digital Classroom	18,087
06/18/2010	Digital Classrooms Equipment	59,451
06/25/2010	Digital Classrooms Equipment	78,013
06/25/2010	Digital Classroom	76,542
06/30/2010	Digital Classroom	3,591
		<u>\$ 1,349,548</u>