

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

COUNTY OF PLACER

ROSEVILLE, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	16
Statement of Fiduciary Net Assets - Agency Funds	17
Notes to Basic Financial Statements	18-38
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	39
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	40
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	41
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	42-44

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Supplementary Information: (Continued)	
Organization	45
Schedule of Average Daily Attendance	46
Schedule of Instructional Time	47
Schedule of Expenditure of Federal Awards	48
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	49
Schedule of Financial Trends and Analysis	50
Schedule of Charter Schools	51
Notes to Supplementary Information	52-53
Independent Auditor's Report on Compliance with State Laws and Regulations	54-56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
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	59-60
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	61-64
Status of Prior Year Findings and Recommendations	65

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, 2010, 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.

The District did not maintain adequate internal controls for the Agency Funds for Associated Student Body. Accordingly, we are not able to satisfy ourselves as to the fairness of reported revenues and expenses for these funds for the year ended June 30, 2010. The unaudited financial statements of the Agency Funds for Associated Student Body are included in the basic financial statements for informational purposes only.

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had we audited the financial statements of the Agency Funds for Associated Student Body, 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, 2010, 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010 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 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise 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 UP

Sacramento, California
November 22, 2010





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Management's Discussion and Analysis

Introduction

The Management's Discussion and Analysis section of Dry Creek Joint Elementary School District ("the District") audit report is District 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 7,114 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.

Management's Discussion and Analysis

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.

Financial Reports

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

- General Fund
- Mello-Roos Fund

Statement of Net Assets

The District's net assets decreased to \$112.1 million, a decrease of \$2.1 million. Long-term liabilities decreased by over \$2.5 million primarily due payments on General Obligation and Mello Roos Bonds.

The table below summarizes the District's net assets.

Dry Creek J.E.S.D				
Net Assets				
	2009-2010	2008-2009	2007-2008	% Change
Current & Other Assets	\$ 30,029,734	\$ 33,339,645	\$ 48,600,085	-10%
Capital Assets	168,679,026	170,848,253	155,069,253	-1%
Total Assets	198,708,760	204,187,898	203,669,338	-3%
Other Liabilities	6,926,480	7,694,325	10,165,910	-10%
Long-Term Liabilities	79,622,152	82,179,301	84,054,501	-3%
Total Liabilities	86,548,632	89,873,626	94,220,411	-4%
Total Net Assets	\$ 112,160,128	\$ 114,314,272	\$ 109,448,927	-2%

Statement of Activities

The District's total revenue was \$53.0 million, a decrease of 15% from 2008-2009. Total expenses decreased 5% and exceed revenues by \$2.1 million. State Aid declined due to declining enrollment and reductions imposed by the state in response to budget crisis.

The two main factors for the decrease in Program Revenues are: 1) the one-time State Fiscal Stabilization Funds occurring in 2008-2009 and 2) the flexibility and related accounting changes granted to school districts by the state which took effect for our District in 2009-2010.

Other revenues decreased due to lower interest earnings and a one-time long-term lease of facilities occurring in 2008-2009. As discussed in prior years one-time revenues such as state matching funds and the State Fiscal Stabilization fund results in fluctuations in the revenues and expenses.

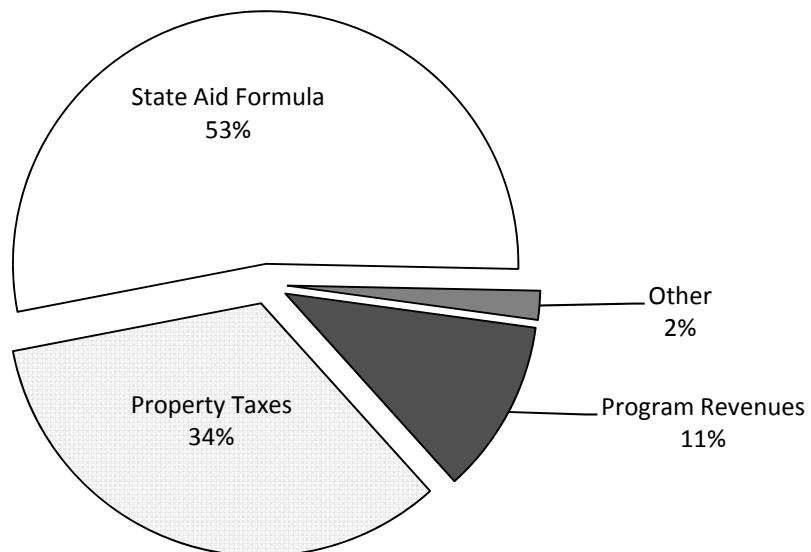
The following table summarizes the change in net assets.

Management's Discussion and Analysis

Dry Creek J.E.S.D.				
Change in Net Assets				
	2009-2010	2008-2009	2007-2008	% Change
Revenues:				
General Revenues:				
Property Taxes	\$ 17,838,447	\$ 18,739,888	\$ 17,358,167	-5%
State Aid Formula	28,298,107	30,967,502	31,729,502	-9%
Other	986,148	3,264,818	2,205,215	-70%
Program Revenues	5,920,388	9,725,681	21,053,985	-39%
Total Revenues	53,043,090	62,697,889	72,346,869	-15%
Expenses:				
Instructional-related	36,703,643	40,025,084	41,490,338	-8%
Pupil Services	1,920,710	2,101,502	1,852,378	-9%
General Administration	3,306,190	2,099,366	3,455,998	57%
Plant Services	8,501,651	8,865,942	7,534,472	-4%
Ancillary Services	135,478	162,469	121,062	-17%
Debt Service	2,938,402	2,440,836	2,925,150	20%
Other Outgo	1,691,160	2,137,345	1,586,199	-21%
Total Expense	55,197,234	57,832,544	58,965,597	-5%
Change in Net Assets	(2,154,144)	4,865,345	13,381,272	-144%
Net Assets, July 1	114,314,272	109,448,927	96,067,655	
Net Assets, June 30	\$ 112,160,128	\$ 114,314,272	\$ 109,448,927	-2%

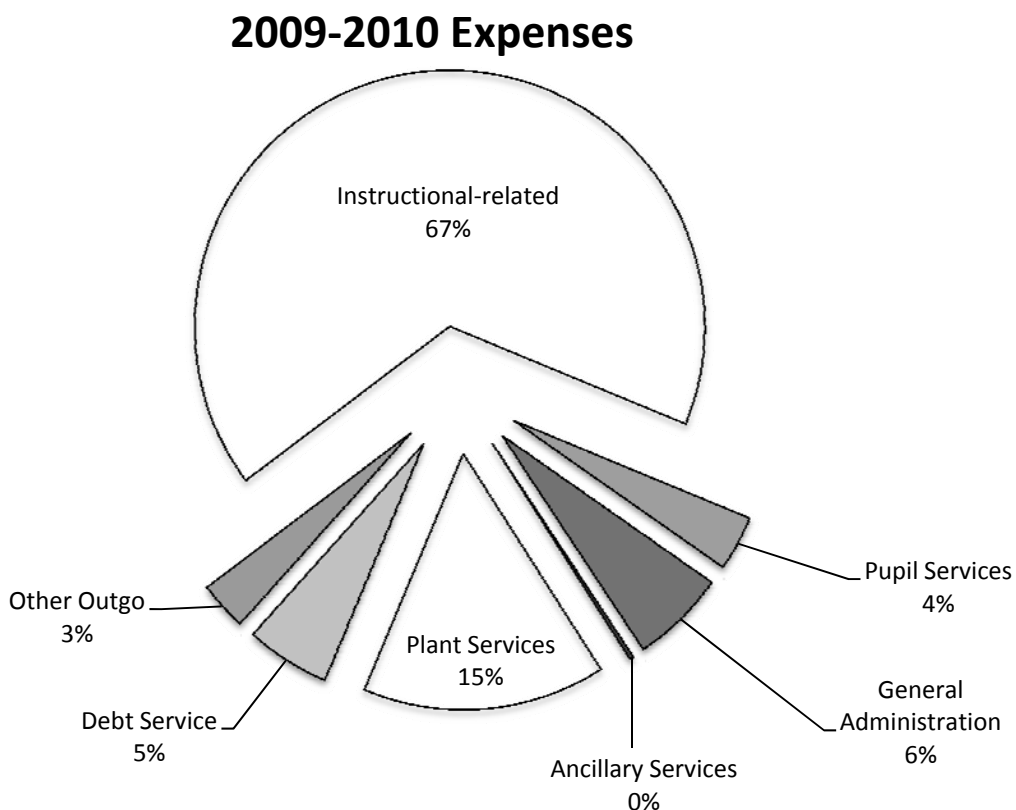
State aid formula and property taxes accounted for 87% of the District's revenue. Another 11% came from state and federal aid for specific programs and the remaining 2% of revenues are from miscellaneous sources as shown in the graph below.

2009-2010 Revenues



Management's Discussion and Analysis

The total cost of programs and services was \$55.2 million, which represents a 5% decrease 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 (67%) as shown in the table below.



Financial Highlights

- The District's 2009-2010 and 2010-2011 enrollments were higher than originally projected, thus lessening the impact of declining enrollment.
- Strong reserve levels were maintained in the 2009-2010 year. The Board of Trustees requires a 4% Designation for Economic Uncertainties and a 2% General Reserve for the General Fund. Additionally, the district reserved funds for the declining enrollment.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times due to changes and updated projections. These revisions fall into the following categories:

- Budget revisions to the adopted budget required after approval of the state budget.
- Budget revisions acknowledging the inclusions of restricted ending balances, deferred revenues, and carryover from the prior year.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing.
- Other budget revisions which are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between categories for school and department budgets.

Management's Discussion and Analysis

The major differences between the final budget and actuals included:

- Approximately \$2.8 million of program dollars were not spent and will be carried over into the 2010-2011 budget. The single largest amount is \$616 thousand in State Fiscal Stabilization Funds.
- Budgeted revenue over expense was anticipated to be \$(2.2) million, however actual revenue to expense was \$320 thousand due the carrying over of funds into 10-11.

Employee Relations

The employees of the District were represented by the following groups: Dry Creek Teachers Association (DCTA), California School Employees Association (CSEA) and Amalgamated Transit Union (ATU).

An agreement was reached with DCTA for employee compensation and benefits thru 2009-10 and included the forgoing of years of service increase and a reduction of three work days for 09-10. Management employees also will forgo the years of service increase and a reduction of three work days in 09-10.

An agreement was reached with DCTA for employee compensation and benefits, an early retirement incentive, class size, the reductions of three work days and restoration of certain positions for 2010-11.

An agreement was reached with CSEA for forgoing of years of service increase and a furlough day for the restoration of certain positions for 2010-11.

Management employees will also have a reduction of three work days in 2010-11.

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. It has made many difficult decisions as a result state budget reductions and declining enrollment. These decisions allowed the district to reduce expenditures and resulted in a better than projected ending fund balance.

The District's reserves remain at the Board of Trustees required levels of a 4% Designation for Economic Uncertainties and a 2% General Reserve. The District continues its practice of designating Lottery funds for expense in the following year. In 2008-09 the District created an Enrollment Decline designation to assist when enrollment and the resulting staffing increase, yet revenues lag one-year behind.

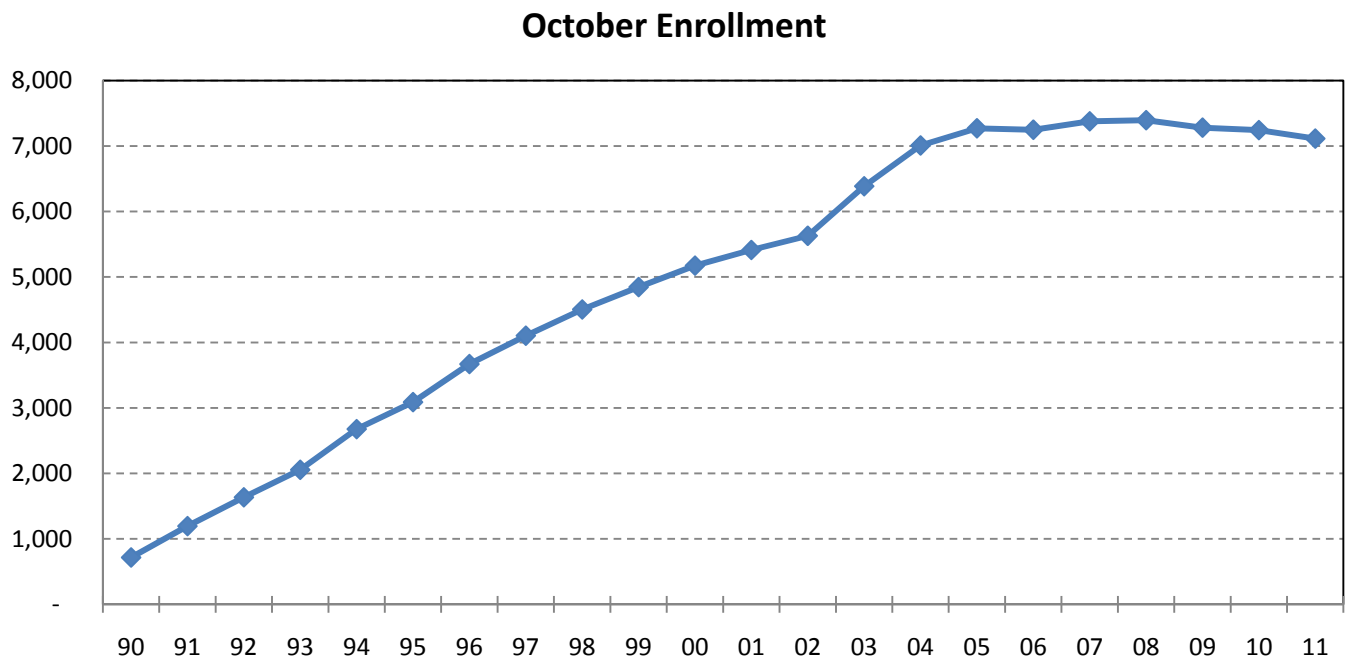
The sound financial condition is a result of the Board of Trustees requirements and policies, good fiscal management by staff, and the focus on long-term impacts of decisions.

Management's Discussion and Analysis

Student Growth

Since the 1990's the District has experienced tremendous student growth, however over the past six years enrollment has remained relatively flat as displayed in the chart below. During 2009-2010 enrollment declined by 38 students or 0.5% to 7,243. The October 2010 enrollment declined another 129 students or 1.8% to 7,114.

Within in the District's boundaries there remains a considerable amount of undeveloped land with at least 6 developments with over 100 units each composing a total of approximately 1,650 residential units. The District is positioned to accommodate the future growth as it has obtained a school site and has state-approved plans for the next elementary school and will expand an existing elementary school. These projects will be funded through a combination of state reimbursement, developer fees and local matching funds.



Capital Assets

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 state reimbursements, developer fees and local funds. The most recent school is the Creekview Ranch Middle which opened in August 2008. The final phase of the library and the administration buildings are complete, however the project remains in Work In Progress during the final closeout period.

As shown in the table below, by the end of 2010 the District had invested \$168 million in a range of capital assets, including land, school buildings, administrative buildings, other equipment and vehicles.

Management's Discussion and Analysis

Dry Creek J.E.S.D						
Capital Assets (net of depreciation)						
		June 30, 2010		June 30, 2009		June 30, 2008
Land	\$	19,756,131	\$	19,756,131	\$	19,756,131
Site Improvements		11,843,793		12,490,444		8,150,341
Buildings		121,482,875		124,265,399		80,345,773
Equipment		2,123,696		2,329,697		1,091,409
Work In Progress		13,472,531		12,006,582		45,725,599
	\$	168,679,026	\$	170,848,253	\$	155,069,253

Bond Ratings

On the most recent General Obligation Bond issuance (2009) the District continued strong bond ratings with a Fitch rating of AA, a Standard & Poor's rating of AA-.

District Indebtedness

As of June 30, 2010 the District has \$79.6 million of long-term liabilities. This is a decrease of \$2.5 million primarily due to payments on the two largest sources of indebtedness, General Obligation Bonds and Mello-Roos Bonds. These bonds are financed by the local taxpayers through voter-approved elections and represent 86% of the District long-term debt. Additional detailed regarding indebtedness may be found in the Notes section of the financial statements.

Dry Creek J.E.S.D						
Long-Term Liabilities						
		June 30, 2010		June 30, 2009		June 30, 2008
General Obligation Bonds	\$	49,814,668	\$	51,755,064	\$	41,496,387
Mello-Roos Bonds		18,284,251		19,814,923		21,324,923
Certificates of Participation		0		0		11,620,000
Accreted Interest		9,967,628		8,873,636		7,688,706
Unamortized Discount		1,425,392		1,547,722		1,607,921
Capitalized Obligations		0		78,164		200,589
Compensated Absences		126,213		96,820		88,155
Early Retirement Incentive		4,000		12,972		27,820
	\$	79,622,152	\$	82,179,301	\$	84,054,501

Factors Bearing on the District's Future

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

- The State's economic situation remains a significant factor impacting the District's future. State funding was 87% of General Fund revenues and with the deterioration of state revenues the appropriations for the District have and are projected to decline. More information on the State of California budget and resulting education budget will be known in January 2011 when the governor elect presents his 2011-12 budget.
- The District is unlikely to experience student growth until residential development returns, however the District is well positioned to accommodate future student growth. The District has obtained the school site and has state-approved plans for the next elementary school and will expand an existing elementary school.

Management's Discussion and Analysis

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, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 20,633,117
Accounts receivable	7,820,014
Prepaid expenditures	1,575,281
Stores inventory	1,322
Capital assets, net of accumulated depreciation (Note 4)	<u>168,679,026</u>
Total assets	<u>198,708,760</u>
LIABILITIES	
Accounts payable	2,040,739
Tax and Revenue Anticipation Notes (TRANS) payable (Note 2)	4,800,000
Deferred revenue	85,741
Long-term liabilities (Note 5):	
Due within one year	6,737,190
Due after one year	<u>72,884,962</u>
Total liabilities	<u>86,548,632</u>
NET ASSETS	
Invested in capital assets, net of related debt	93,937,581
Restricted (Note 6)	11,548,094
Unrestricted	<u>6,674,453</u>
Total net assets	<u>\$ 112,160,128</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, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities (Note 4):				
Instruction	\$ 32,348,059		\$ 5,318,437	\$ (27,029,622)
Instruction-related services:				
Supervision of instruction	742,635		11,784	(730,851)
Instructional library, media and technology	330,534			(330,534)
School site administration	3,282,415		1,746	(3,280,669)
Pupil services:				
Home-to-school transportation	822,928	\$ 58,630	66,993	(697,305)
Food services	16,715			(16,715)
All other pupil services	1,081,067		81,084	(999,983)
General administration:				
Data processing	729,673			(729,673)
All other general administration	2,576,517	3,570	290,411	(2,282,536)
Plant services	8,501,651		4,199	(8,497,452)
Ancillary services	135,478		15,499	(119,979)
Interest on long-term liabilities	2,938,402			(2,938,402)
Other outgo	1,691,160		68,035	(1,623,125)
	<u>\$ 55,197,234</u>	<u>\$ 62,200</u>	<u>\$ 5,858,188</u>	<u>\$ -</u>
Total governmental activities				(49,276,846)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				12,140,949
Taxes levied for debt service				5,697,498
Federal and state aid not restricted to specific purposes				28,298,107
Interest and investment earnings				444,675
Miscellaneous				541,473
				<u>47,122,702</u>
				(2,154,144)
				<u>114,314,272</u>
				<u>\$ 112,160,128</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Mello-Roos Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 4,603,555		\$ 7,887,460	\$ 12,491,015
Cash in County Treasury, restricted for repayment of Tax and Revenue				
Anticipation Notes (TRANS)	4,812,000			4,812,000
Cash in revolving fund	5,000			5,000
Cash with Fiscal Agent		\$ 3,325,102		3,325,102
Accounts receivable	7,818,024	1,990		7,820,014
Prepaid expenditures	175,000			175,000
Due from other funds			623	623
Stores inventory	<u>1,322</u>			<u>1,322</u>
Total assets	<u>\$ 17,414,901</u>	<u>\$ 3,327,092</u>	<u>\$ 7,888,083</u>	<u>\$ 28,630,076</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,103,968		\$ 87,907	\$ 1,191,875
TRANS payable	4,800,000			4,800,000
Deferred revenue	85,741			85,741
Due to other funds			<u>623</u>	<u>623</u>
Total liabilities	<u>5,989,709</u>		<u>88,530</u>	<u>6,078,239</u>
Fund balances:				
Reserved for:				
Revolving fund	5,000			5,000
Prepaid expenditures	175,000			175,000
Stores inventory	1,322			1,322
Unspent categorical revenue	1,219,113			1,219,113
General reserve (EC 42124)	945,835			945,835
Unreserved, reported in:				
General Fund	9,078,922			9,078,922
Special Revenue Funds			620,290	620,290
Capital Projects Funds			4,493,822	4,493,822
Debt Service Funds		<u>\$ 3,327,092</u>	<u>2,685,441</u>	<u>6,012,533</u>
Total fund balances	<u>11,425,192</u>	<u>3,327,092</u>	<u>7,799,553</u>	<u>22,551,837</u>
Total liabilities and fund balances	<u>\$ 17,414,901</u>	<u>\$ 3,327,092</u>	<u>\$ 7,888,083</u>	<u>\$ 28,630,076</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, 2010

Total fund balances - Governmental Funds		\$ 22,551,837
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 \$202,358,977 and the accumulated depreciation is \$33,679,951 (Note 4).		
		168,679,026
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2010 consisted of (Note 5):		
General Obligation Bonds	\$ (49,814,668)	
Mello-Roos Bonds	(18,284,251)	
Accreted interest	(9,967,628)	
Unamortized premium	(1,425,392)	
Early retirement incentive	(4,000)	
Compensated absences	<u>(126,213)</u>	
		(79,622,152)
Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds.		
		1,400,281
Unmatured interest is not recognized until it is due and, therefore, it is not accrued as a payable in governmental funds.		
		<u>(848,864)</u>
Total net assets - governmental activities		<u>\$ 112,160,128</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 BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Mello-Roos Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 23,421,218			\$ 23,421,218
Local sources	<u>11,173,878</u>			<u>11,173,878</u>
Total revenue limit	<u>34,595,096</u>			<u>34,595,096</u>
Federal sources	2,670,360			2,670,360
Other state sources	6,602,503		\$ 973,321	7,575,824
Other local sources	<u>3,248,695</u>	<u>\$ 3,067,650</u>	<u>1,886,795</u>	<u>8,203,140</u>
Total revenues	<u>47,116,654</u>	<u>3,067,650</u>	<u>2,860,116</u>	<u>53,044,420</u>
Expenditures:				
Certificated salaries	26,077,622			26,077,622
Classified salaries	6,314,603			6,314,603
Employee benefits	8,414,530			8,414,530
Books and supplies	1,383,751		170,697	1,554,448
Contract services and operating expenditures	3,590,288		152,392	3,742,680
Capital outlay	292,255		1,983,215	2,275,470
Other outgo	640,855			640,855
Debt service:				
Principal retirement	78,164	1,530,672	1,940,396	3,549,232
Interest	<u>4,369</u>	<u>956,441</u>	<u>1,937,885</u>	<u>2,898,695</u>
Total expenditures	<u>46,796,437</u>	<u>2,487,113</u>	<u>6,184,585</u>	<u>55,468,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>320,217</u>	<u>580,537</u>	<u>(3,324,469)</u>	<u>(2,423,715)</u>
Other financing sources (uses):				
Operating transfers in	75,000		495,272	570,272
Operating transfers out	<u>(495,272)</u>		<u>(75,000)</u>	<u>(570,272)</u>
Total other financing sources (uses)	<u>(420,272)</u>		<u>420,272</u>	
Net change in fund balances	(100,055)	580,537	(2,904,197)	(2,423,715)
Fund balances, July 1, 2009	<u>11,525,247</u>	<u>2,746,555</u>	<u>10,703,750</u>	<u>24,975,552</u>
Fund balances, June 30, 2010	<u>\$ 11,425,192</u>	<u>\$ 3,327,092</u>	<u>\$ 7,799,553</u>	<u>\$ 22,551,837</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, 2010

Net change in fund balances - Total Governmental Funds		\$ (2,423,715)
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).	\$ 2,453,344	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(4,618,486)	
The entire proceeds from disposal of capital assets are reported as revenue in the governmental funds (Note 4).	(4,085)	
Amortization of premiums and debt issuance cost are expenses that are not recorded in the governmental funds. The difference between the debt issuance cost recognized in the current period and the issuance cost amortized in the current period is (Note 5):	43,686	
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).	3,549,232	
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(1,093,992)	
Unmatured interest is an expense that is not recorded in the governmental funds.	(39,707)	
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>(20,421)</u>	<u>269,571</u>
Change in net assets of governmental activities		<u>\$ (2,154,144)</u>

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

**DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS (UNAUDITED)**

AGENCY FUNDS

June 30, 2010

ASSETS

Cash on hand and in banks (Note 2) \$ 136,601

LIABILITIES

Due to student groups \$ 136,601

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 *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, 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 Codification Section 2100 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

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.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

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)

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.

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.

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)

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 General Obligation Bond Building, County School Facilities, Capital Facilities and Special Reserve Funds.

B - Fiduciary Fund Types

1 - Agency Funds (Unaudited):

The Agency Funds are used to account for the various funds for which the District acts as an agent. The District maintains ten 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, Barrett Ranch School, and Creekview Ranch Middle 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 as Required Supplementary Information.

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 \$126,213 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, 2010 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds (Unaudited)</u>
Pooled Funds:		
Cash in County Treasury	\$ 12,491,015	
Cash in County Treasury, restricted for repayment of TRANS	4,812,000	
Deposits:		
Cash in revolving fund	5,000	
Cash on hand and in banks		\$ 136,601
Cash with Fiscal Agent	<u>3,325,102</u>	
Total	<u>\$ 20,633,117</u>	<u>\$ 136,601</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, 2010, 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 September 3, 2009, the District issued \$4,800,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on September 15, 2010, with interest at 3.0%, 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, 2010. As of June 30, 2010, funds totaling \$4,812,000 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 \$250,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2010, the carrying amount of the District's accounts was \$141,601, and the bank balances were \$144,446, all of which was insured by the FDIC.

Cash with Fiscal Agent

Cash with Fiscal Agent represents cash balances held by the Sacramento County Treasurer and Union Bank of California for the repayment of outstanding Mello-Roos Bonds. The cash balances are fully collateralized at June 30, 2010.

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, 2010, the District had no significant interest rate risk related to cash and investments held.

Investment Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Concentration of Investment Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

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, 2010 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Non-Major Funds:		
General Obligation Bond Building	\$ 623	
County School Facilities		\$ 623
	<u>\$ 623</u>	<u>\$ 623</u>

Interfund Transfers

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

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

Transfer from the General Fund to the Deferred Maintenance Fund for the funding of maintenance projects.	\$ 495,272
Transfer from the Special Reserve Fund to the General Fund for the purchases of buses under the Bus Replacement Grant.	<u>75,000</u>
	<u>\$ 570,272</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

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

	Balance July 1, 2009	Additions	Deductions	Transfers	Balance June 30, 2010
Non-depreciable:					
Land	\$ 19,756,131				\$ 19,756,131
Work-in-process	12,006,582	\$ 1,722,610		\$ (256,661)	13,472,531
Depreciable:					
Improvement of sites	19,203,924	155,972		166,443	19,526,339
Buildings	144,491,551	333,916		90,218	144,915,685
Equipment	<u>4,556,795</u>	<u>240,846</u>	<u>\$ 109,350</u>		<u>4,688,291</u>
Totals, at cost	<u>200,014,983</u>	<u>2,453,344</u>	<u>109,350</u>		<u>202,358,977</u>
Less accumulated depreciation:					
Improvement of sites	(6,713,480)	(969,066)			(7,682,546)
Buildings	(20,226,152)	(3,206,658)			(23,432,810)
Equipment	<u>(2,227,098)</u>	<u>(442,762)</u>	<u>(105,265)</u>		<u>(2,564,595)</u>
Total accumulated depreciation	<u>(29,166,730)</u>	<u>(4,618,486)</u>	<u>(105,265)</u>		<u>(33,679,951)</u>
Capital assets, net	<u>\$ 170,848,253</u>	<u>\$ (2,165,142)</u>	<u>\$ 4,085</u>	<u>\$ -</u>	<u>\$ 168,679,026</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 141,319
Supervision of instruction	8,383
Home-to-school transportation	68,481
All other general administration	8,648
Data processing	33,447
Plant services	<u>4,358,208</u>
Total depreciation expense	<u>\$ 4,618,486</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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds, Series A (Continued)

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 June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 526,141	\$ 593,859	\$ 1,120,000
2012	519,920	660,080	1,180,000
2013	511,946	728,054	1,240,000
2014	502,425	797,575	1,300,000
2015	493,366	871,634	1,365,000
2016-2020	2,372,549	5,547,451	7,920,000
2021-2023	<u>1,351,299</u>	<u>4,413,701</u>	<u>5,765,000</u>
Totals	<u>\$ 6,277,646</u>	<u>\$ 13,612,354</u>	<u>\$ 19,890,000</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.

The Bonds mature serially in varying amounts during the succeeding years through 2013, 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>
2011	\$ 250,000	\$ 37,738	\$ 287,738
2012	275,000	23,784	298,784
2013	<u>305,000</u>	<u>8,197</u>	<u>313,197</u>
Totals	<u>\$ 830,000</u>	<u>\$ 69,719</u>	<u>\$ 899,719</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

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 2025, 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>
2011	\$ 45,000	\$ 314,088	\$ 359,088
2012	50,000	312,188	362,188
2013	50,000	310,188	360,188
2014	390,000	301,388	691,388
2015	415,000	285,288	700,288
2016-2020	2,620,000	1,098,101	3,718,101
2021-2025	<u>3,685,000</u>	<u>414,539</u>	<u>4,099,539</u>
Totals	<u>\$ 7,255,000</u>	<u>\$ 3,035,780</u>	<u>\$ 10,290,780</u>

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%.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

2008 General Obligation Bonds (Continued)

Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	290,000	909,663	1,199,663
2015	375,000	899,219	1,274,219
2016-2020	3,390,000	4,182,375	7,572,375
2021-2025	6,930,000	3,131,763	10,061,763
2026-2030	10,450,780	2,991,434	13,442,214
2031-2033	<u>1,962,565</u>	<u>8,367,434</u>	<u>10,329,999</u>
Totals	<u>\$ 23,863,345</u>	<u>\$ 23,248,300</u>	<u>\$ 47,111,645</u>

2009 General Obligation Bonds

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. 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 2049, with interest rates varying from 2.00% to 9.55%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 200,000	\$ 144,806	\$ 344,806
2012	80,000	142,006	222,006
2013	40,000	140,806	180,806
2014	25,000	140,093	165,093
2015		139,782	139,782
2016-2020	150,000	689,408	839,408
2021-2025	490,000	629,237	1,119,237
2026-2030	1,030,000	467,659	1,497,659
2031-2035	2,597,961	4,941,664	7,539,625
2036-2040	3,200,793	16,534,207	19,735,000
2041-2045	3,009,942	23,400,057	26,409,999
2046-2050	<u>764,981</u>	<u>12,975,020</u>	<u>13,740,001</u>
Totals	<u>\$ 11,588,677</u>	<u>\$ 60,344,745</u>	<u>\$ 71,933,422</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

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.

The Bonds mature serially in varying amounts during the succeeding years through 2016 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>
2011	\$ 865,000	\$ 110,813	\$ 975,813
2012	945,000	64,658	1,009,658
2013	250,000	34,060	284,060
2014	215,000	21,970	236,970
2015	185,000	11,570	196,570
2016	<u>130,000</u>	<u>3,380</u>	<u>133,380</u>
Totals	<u>\$ 2,590,000</u>	<u>\$ 246,451</u>	<u>\$ 2,836,451</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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 1996B Special Tax Bonds (Continued)

The Bonds mature serially in varying amounts during the succeeding years through 2019, 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>
2011	\$ 119,561	\$ 140,439	\$ 260,000
2012	111,410	148,590	260,000
2013	315,248	469,752	785,000
2014	218,080	361,920	580,000
2015	137,163	252,837	390,000
2016-2017	<u>208,636</u>	<u>456,364</u>	<u>665,000</u>
Totals	<u>\$ 1,110,098</u>	<u>\$ 1,829,902</u>	<u>\$ 2,940,000</u>

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>
2011	\$ 355,000	\$ 127,618	\$ 482,618
2012	390,000	109,170	499,170
2013	420,000	88,710	508,710
2014	460,000	66,040	526,040
2015	490,000	41,218	531,218
2016-2020	<u>844,153</u>	<u>553,025</u>	<u>1,397,178</u>
Totals	<u>\$ 2,959,153</u>	<u>\$ 985,781</u>	<u>\$ 3,944,934</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

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.

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>
2011	\$ 255,000	\$ 384,036	\$ 639,036
2012	290,000	372,586	662,586
2013	320,000	361,751	681,751
2014	350,000	349,341	699,341
2015	395,000	334,791	729,791
2016-2020	2,640,000	1,368,193	4,008,193
2021-2025	4,105,000	538,452	4,643,452
2026	<u>265,000</u>	<u>6,360</u>	<u>271,360</u>
Totals	<u>\$ 8,620,000</u>	<u>\$ 3,715,510</u>	<u>\$ 12,335,510</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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 2005 Special Tax Bonds (Continued)

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>
2011	\$ 60,000	\$ 129,238	\$ 189,238
2012	65,000	127,050	192,050
2013	70,000	124,687	194,687
2014	85,000	121,869	206,869
2015	90,000	118,588	208,588
2016-2020	620,000	526,466	1,146,466
2021-2025	950,000	359,926	1,309,926
2026-2028	<u>1,065,000</u>	<u>96,389</u>	<u>1,161,389</u>
Totals	<u>\$ 3,005,000</u>	<u>\$ 1,604,213</u>	<u>\$ 4,609,213</u>

Capitalized Lease Obligations

The District leases certain portable classrooms and office equipment under capital lease agreements. The lease was paid off as of June 30, 2010.

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.

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, 2010 was \$4,000.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds	\$ 51,755,064		\$ 1,940,396	\$ 49,814,668	\$ 3,169,677
Mello-Roos Bonds	19,814,923		1,530,672	18,284,251	2,292,100
Accreted interest	8,873,636	\$ 1,093,992		9,967,628	1,026,869
Unamortized premium	1,547,722		122,330	1,425,392	122,331
Capitalized lease obligations	78,164		78,164		
Early retirement incentive	12,972		8,972	4,000	4,000
Compensated absences	<u>96,820</u>	<u>126,213</u>	<u>96,820</u>	<u>126,213</u>	<u>126,213</u>
	<u>\$ 82,179,301</u>	<u>\$ 1,220,205</u>	<u>\$ 3,777,354</u>	<u>\$ 79,622,152</u>	<u>\$ 6,741,190</u>

Payments and amortization of premiums 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 Fund. 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, 2010 consisted of the following:

	<u>Governmental Activities</u>
Restricted for revolving cash fund	\$ 5,000
Restricted for prepaid expenditures	1,575,281
Restricted for stores inventory	1,322
Restricted for general reserve (EC 42124)	945,835
Restricted for unspent categorical program revenues	1,219,113
Restricted for deferred maintenance	620,290
Restricted for debt service	2,687,431
Restricted for capital projects	<u>4,493,822</u>
	<u>\$ 11,548,094</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, 2010 consisted of the following:

	<u>Governmental Funds</u>
Designated for economic uncertainties	\$ 1,891,670
Other designations	<u>3,880,841</u>
	<u>\$ 5,772,511</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 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$540,480, \$554,417 and \$530,336, 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$2,315,693, \$2,325,389 and \$2,149,163, 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, 2010.

Total assets	\$ 73,817,529
Total liabilities	\$ 28,156,104
Total net assets	\$ 45,661,425
Total revenues	\$ 77,308,712
Total expenses	\$ 72,127,014
Change in net assets	\$ 5,181,698

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)

8. JOINT POWERS AGREEMENT (Continued)

School Project for Utility Rate Reduction

The District is also a member of a Joint Powers Authority, School Project for Utility Rate Reduction (SPURR), for the direct purchase of gas, electricity, and other utility services. SPURR also provides advisory services relative to utilities.

The following is a summary of the financial information for School Project for Utility Rate Reduction at June 30, 2009 (the latest information available):

Total assets	\$ 18,870,053
Total liabilities	\$ 12,884,337
Net assets	\$ 5,985,716
Total revenues	\$ 49,708,519
Total expenses	\$ 48,435,785
Change in net assets	\$ 1,272,734

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. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On September 2, 2010, the District issued \$4,200,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on September 1, 2011, 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, 2011.

Subsequent Events

The District has reviewed all events occurring from June 30, 2010 through November 22, 2010, the date the financial statements were issued. No other subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 23,572,361	\$ 12,082,316	\$ 23,421,218	\$ 11,338,902
Local sources	<u>12,082,316</u>	<u>12,636,469</u>	<u>11,173,878</u>	<u>(1,462,591)</u>
Total revenue limit	<u>35,654,677</u>	<u>24,718,785</u>	<u>34,595,096</u>	<u>9,876,311</u>
Federal sources	2,296,106	3,229,867	2,670,360	(559,507)
Other state sources	5,980,462	6,556,553	6,602,503	45,950
Other local sources	<u>3,311,526</u>	<u>3,291,420</u>	<u>3,248,695</u>	<u>(42,725)</u>
Total revenues	<u>47,242,771</u>	<u>37,796,625</u>	<u>47,116,654</u>	<u>9,320,029</u>
Expenditures:				
Certificated salaries	26,293,799	26,401,665	26,077,622	324,043
Classified salaries	6,219,391	6,348,859	6,314,603	34,256
Employee benefits	8,630,398	8,598,520	8,414,530	183,990
Books and supplies	1,431,199	2,356,559	1,383,751	972,808
Contract services and operating expenditures	4,741,136	5,037,733	3,590,288	1,447,445
Capital outlay	75,000	335,394	292,255	43,139
Other outgo	1,011,948	642,724	640,855	1,869
Debt service:				
Principal retirement	78,164	78,164	78,164	
Interest	<u>4,369</u>	<u>4,369</u>	<u>4,369</u>	
Total expenditures	<u>48,485,404</u>	<u>49,803,987</u>	<u>46,796,437</u>	<u>3,007,550</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,242,633)</u>	<u>(12,007,362)</u>	<u>320,217</u>	<u>12,327,579</u>
Other financing sources (uses):				
Operating transfers in	80,000	80,000	75,000	(5,000)
Operating transfers out	<u>(334,240)</u>	<u>(495,272)</u>	<u>(495,272)</u>	
Total other financing sources (uses)	<u>(254,240)</u>	<u>(415,272)</u>	<u>(420,272)</u>	<u>(5,000)</u>
Net change in fund balance	(1,496,873)	(12,422,634)	(100,055)	12,322,579
Fund balance, July 1, 2009	<u>11,525,247</u>	<u>11,525,247</u>	<u>11,525,247</u>	
Fund balance, June 30, 2010	<u>\$ 10,028,374</u>	<u>\$ (897,387)</u>	<u>\$ 11,425,192</u>	<u>\$ 12,322,579</u>

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

SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

	<u>Deferred Maintenance Fund</u>	<u>General Obligation Bond Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total</u>
ASSETS							
Cash in County Treasury	\$ 641,730	\$ 2,830,828	\$ 1,426,371	\$ 623	\$ 302,467	\$ 2,685,441	\$ 7,887,460
Due from other funds		<u>623</u>					<u>623</u>
Total assets	<u>\$ 641,730</u>	<u>\$ 2,831,451</u>	<u>\$ 1,426,371</u>	<u>\$ 623</u>	<u>\$ 302,467</u>	<u>\$ 2,685,441</u>	<u>\$ 7,888,083</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 21,440	\$ 57,443	\$ 9,024				\$ 87,907
Due to other funds				<u>\$ 623</u>			<u>623</u>
Total liabilities	21,440	57,443	9,024	623			88,530
Fund balances	<u>620,290</u>	<u>2,774,008</u>	<u>1,417,347</u>		<u>\$ 302,467</u>	<u>\$ 2,685,441</u>	<u>7,799,553</u>
Total liabilities and fund balances	<u>\$ 641,730</u>	<u>\$ 2,831,451</u>	<u>\$ 1,426,371</u>	<u>\$ 623</u>	<u>\$ 302,467</u>	<u>\$ 2,685,441</u>	<u>\$ 7,888,083</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, 2010

	<u>Deferred Maintenance Fund</u>	<u>General Obligation Bond Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total</u>
Revenues:							
Other state sources						\$ 973,321	\$ 973,321
Other local sources	\$ 6,485	\$ 80,140	\$ 84,282	\$ 7,446	\$ 7,923	1,700,519	1,886,795
Total revenues	<u>6,485</u>	<u>80,140</u>	<u>84,282</u>	<u>7,446</u>	<u>7,923</u>	<u>2,673,840</u>	<u>2,860,116</u>
Expenditures:							
Books and supplies			368	170,329			170,697
Contract services and operating expenditures	18,697	2,535	130,305	855			152,392
Capital outlay	248,460	1,638,917		95,838			1,983,215
Debt service:							
Principal retirement						1,940,396	1,940,396
Interest						1,937,885	1,937,885
Total expenditures	<u>267,157</u>	<u>1,641,452</u>	<u>130,673</u>	<u>267,022</u>		<u>3,878,281</u>	<u>6,184,585</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(260,672)</u>	<u>(1,561,312)</u>	<u>(46,391)</u>	<u>(259,576)</u>	<u>7,923</u>	<u>(1,204,441)</u>	<u>(3,324,469)</u>
Other financing sources (uses):							
Operating transfers in	495,272						495,272
Operating transfers out					(75,000)		(75,000)
Total other financing sources (uses)	<u>495,272</u>				<u>(75,000)</u>		<u>420,272</u>
Net change in fund balances	234,600	(1,561,312)	(46,391)	(259,576)	(67,077)	(1,204,441)	(2,904,197)
Fund balances, July 1, 2009	<u>385,690</u>	<u>4,335,320</u>	<u>1,463,738</u>	<u>259,576</u>	<u>369,544</u>	<u>3,889,882</u>	<u>10,703,750</u>
Fund balances, June 30, 2010	<u>\$ 620,290</u>	<u>\$ 2,774,008</u>	<u>\$ 1,417,347</u>	\$ -	<u>\$ 302,467</u>	<u>\$ 2,685,441</u>	<u>\$ 7,799,553</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 (UNAUDITED)**

ALL AGENCY FUNDS

For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Dry Creek School</u>				
Assets:				
Cash on hand and in banks	\$ <u>324</u>	\$ <u>97</u>	\$ <u>14</u>	\$ <u>407</u>
Liabilities:				
Due to student groups	\$ <u>324</u>	\$ <u>97</u>	\$ <u>14</u>	\$ <u>407</u>
<u>Heritage Oak School</u>				
Assets:				
Cash on hand and in banks	\$ <u>1,882</u>	\$ <u>401</u>	\$ <u>342</u>	\$ <u>1,941</u>
Liabilities:				
Due to student groups	\$ <u>1,882</u>	\$ <u>401</u>	\$ <u>342</u>	\$ <u>1,941</u>
<u>Antelope Meadows School</u>				
Assets:				
Cash on hand and in banks	\$ <u>1,553</u>	\$ <u>1</u>	\$ <u>312</u>	\$ <u>1,242</u>
Liabilities:				
Due to student groups	\$ <u>1,553</u>	\$ <u>1</u>	\$ <u>312</u>	\$ <u>1,242</u>
<u>Antelope Crossing School</u>				
Assets:				
Cash on hand and in banks	\$ <u>53,169</u>	\$ <u>171,639</u>	\$ <u>171,807</u>	\$ <u>53,001</u>
Liabilities:				
Due to student groups	\$ <u>53,169</u>	\$ <u>171,639</u>	\$ <u>171,807</u>	\$ <u>53,001</u>
<u>Quail Glen School</u>				
Assets:				
Cash on hand and in banks	\$ <u>7,055</u>	\$ <u>1,960</u>	\$ <u>7,579</u>	\$ <u>1,436</u>
Liabilities:				
Due to student groups	\$ <u>7,055</u>	\$ <u>1,960</u>	\$ <u>7,579</u>	\$ <u>1,436</u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES (UNAUDITED)**

ALL AGENCY FUNDS

(Continued)

For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Olive Grove School</u>				
Assets:				
Cash on hand and in banks	\$ <u>330</u>	\$ <u>-</u>	\$ <u>46</u>	\$ <u>284</u>
Liabilities:				
Due to student groups	\$ <u>330</u>	\$ <u>-</u>	\$ <u>46</u>	\$ <u>284</u>
<u>Coyote Ridge School</u>				
Assets:				
Cash on hand and in bank	\$ <u>2,789</u>	\$ <u>174</u>	\$ <u>-</u>	\$ <u>2,963</u>
Liabilities:				
Due to student groups	\$ <u>2,789</u>	\$ <u>174</u>	\$ <u>-</u>	\$ <u>2,963</u>
<u>Silverado Middle School</u>				
Assets:				
Cash on hand and in bank	\$ <u>47,471</u>	\$ <u>179,596</u>	\$ <u>203,446</u>	\$ <u>23,621</u>
Liabilities:				
Due to student groups	\$ <u>47,471</u>	\$ <u>179,596</u>	\$ <u>203,446</u>	\$ <u>23,621</u>
<u>Barrett Ranch School</u>				
Assets:				
Cash on hand and in bank	\$ <u>2,989</u>	\$ <u>1,314</u>	\$ <u>3,105</u>	\$ <u>1,198</u>
Liabilities:				
Due to student groups	\$ <u>2,989</u>	\$ <u>1,314</u>	\$ <u>3,105</u>	\$ <u>1,198</u>
<u>Creekview Ranch Middle School</u>				
Assets:				
Cash on hand and in bank	\$ <u>20,308</u>	\$ <u>126,604</u>	\$ <u>96,404</u>	\$ <u>50,508</u>
Liabilities:				
Due to student groups	\$ <u>20,308</u>	\$ <u>126,604</u>	\$ <u>96,404</u>	\$ <u>50,508</u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES (UNAUDITED)

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 137,870	\$ 481,786	\$ 483,055	\$ 136,601
Liabilities:				
Due to student groups	\$ 137,870	\$ 481,786	\$ 483,055	\$ 136,601

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

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, 2010, the District is operating seven elementary schools and three middle schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Tracy Pittman	President	December 2010
Diane Howe	Clerk	December 2010
Anne Silberstein	Member	December 2010
Jeff Randall	Member	December 2012
Scott Otsuka	Member	December 2012

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, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	638	639
First through Third	2,141	2,147
Fourth through Sixth	2,362	2,366
Seventh and Eighth	1,686	1,685
Home and Hospital	6	7
Special Education	<u>167</u>	<u>166</u>
Totals	<u><u>7,000</u></u>	<u><u>7,010</u></u>

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2010

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,900	180	In Compliance
Grade 1	50,400	41,360	51,300	180	In Compliance
Grade 2	50,400	41,360	51,300	180	In Compliance
Grade 3	50,400	41,360	51,300	180	In Compliance
Grade 4	54,000	52,800	54,700	180	In Compliance
Grade 5	54,000	52,800	54,700	180	In Compliance
Grade 6	54,000	54,000	54,700	180	In Compliance
Grade 7	54,000	54,000	54,700	180	In Compliance
Grade 8	54,000	54,000	54,700	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, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance	13379	\$ 1,059,926
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619	13430	29,427
84.027A	Special Ed: IDEA Preschool Grant Local Entitlement, Part B, Section 611	13682	78,664
84.391	Special Ed: ARRA IDEA Part B, Basic Local Assistance	15003	438,736
84.391	Special Ed: ARRA IDEA Part B, Local Assistance Private School ISP's	10123	<u>51,904</u>
	Subtotal Special Education Cluster		<u>1,658,657</u>
	Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	342,769
84.389	NCLB: ARRA Title I, Part A, Basic Grants Low Income and Neglected	15005	<u>156,758</u>
	Subtotal Title I Cluster		<u>499,527</u>
84.196	NCLB: Title X, McKinney-Vento Homeless Children Assistance Grants	14332	2,877
84.298A	NCLB: Title V, Part A, Innovative Education Strategies	14354	331
84.318	NCLB: Title II, Part D, Enhancing Education through Technology (EETT)	14334	4,618
84.186	NCLB: Title IV, Part A, Safe and Drug Free Schools and Communities	13453	27,010
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	61,752
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	10084	97,136
84.365	NCLB: Title III, Immigrant Education Program	14346	16,727
84.367	NCLB: Title II, Part A, Administrator Training	14344	1,852
84.387	NCLB: Title X, ARRA McKinney-Vento Homeless Assistance	15120	6,436
84.394	ARRA: State Fiscal Stabilization Fund	25008	<u>1,468,050</u>
	Total U.S. Department of Education		<u>3,844,973</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Administrative Activities (MAA)	10060	<u>7,265</u>
	Total Federal Programs		<u>\$ 3,852,238</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, 2010

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, 2010

	<u>(Budget)</u> <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 44,506,591	\$ 47,191,654	\$ 52,987,132	\$ 53,223,520
Expenditures	46,753,179	46,796,437	50,992,462	51,595,757
Other uses and transfers out	<u>111,032</u>	<u>495,272</u>	<u>414,944</u>	<u>326,870</u>
Total outgo	<u>46,864,211</u>	<u>47,291,709</u>	<u>51,407,406</u>	<u>51,922,627</u>
Change in fund balance	<u>\$ (2,357,620)</u>	<u>\$ (100,055)</u>	<u>\$ 1,579,726</u>	<u>\$ 1,300,893</u>
Ending fund balance	<u>\$ 9,067,572</u>	<u>\$ 11,425,192</u>	<u>\$ 11,525,247</u>	<u>\$ 9,945,521</u>
Available reserves	<u>\$ 3,672,963</u>	<u>\$ 5,198,081</u>	<u>\$ 3,169,801</u>	<u>\$ 5,031,448</u>
Designated for economic uncertainties	<u>\$ 1,874,569</u>	<u>\$ 1,891,670</u>	<u>\$ 2,056,298</u>	<u>\$ 2,076,906</u>
Undesignated fund balance	<u>\$ 1,798,394</u>	<u>\$ 3,306,411</u>	<u>\$ 1,113,503</u>	<u>\$ 2,954,542</u>
Available reserves as percentages of total outgo	<u>7.8%</u>	<u>11.0%</u>	<u>6.2%</u>	<u>9.7%</u>
Total long-term liabilities	<u>\$ 72,884,962</u>	<u>\$ 79,622,152</u>	<u>\$ 82,179,301</u>	<u>\$ 84,054,501</u>
Average daily attendance at P-2	<u>6,777</u>	<u>7,000</u>	<u>7,044</u>	<u>7,123</u>

The General Fund fund balance has increased by \$2,780,564 over the past three years. The District projects a decrease of \$2,357,620 for the year ending June 30, 2011. 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 two of the past three years and anticipates incurring an operating deficit during the year ending June 30, 2011.

Total long-term liabilities have decreased by \$4,432,349 over the past two years.

Average daily attendance has decreased by 123 over the past two years and is anticipated to decrease by 223 during the year ending June 30, 2011.

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2010

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
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The District does not sponsor any charter schools.

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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 2,670,360
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	<u>1,181,878</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,852,238</u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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 2010-2011 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

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, 2010, the District did not adopt this program.

See accompanying notes to
supplementary information.

**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, 2010. 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
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	No, see below
After school	4	No, see below
Before school	5	No, see below

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contemporaneous Records of Attendance for charter schools	1	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	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 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 offer an Early Retirement Incentive Program; therefore, we did not perform steps 2a through d.

The 2009-2010 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2010, 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 2009-2010 fiscal year to the 2009-2010 School Accountability Report Cards.

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, 2010. 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.

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

(Continued)

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 WP

Sacramento, California
November 22, 2010

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

Board of 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, 2010, and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we consider deficiency number one in the accompanying Schedule of Audit Findings and Questioned Costs section of the report to be a material weakness in internal control over financial reporting.

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*.

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

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

(Continued)

This report is intended solely for the information of the Board of 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
November 22, 2010

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

Board of 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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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**

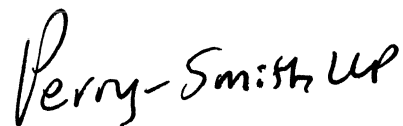
(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information of the Board of 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.



Sacramento, California
November 22, 2010

FINDINGS AND RECOMMENDATIONS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.391 84.394 84.010, 84.389	Special Education Cluster ARRA: State Fiscal Stabilization Fund Title I 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 X No

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

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

1. MATERIAL WEAKNESS - ASSOCIATED STUDENT BODY (30000)

Criteria

Internal Controls - Safeguarding of District Assets

Condition

District required internal control procedures were not followed for the Associated Student Body (ASB) accounts. Specifically, the following deficiencies were noted:

- Cash remitted to the ASB was not counted in dual custody and evidenced by an appropriate cash receipt.
- Cash deposited into the bank was not evidenced by the necessary supporting documentation.
- Cash discrepancies were noted in the financial reports without proper disposition and documentation of the reason.
- Transfers between student organization accounts was not supported by any documentation.

Effect

There exists the risk that District assets could be misappropriated and the records were not able to be audited.

Cause

District required internal control procedures were not followed by personnel responsible for associated student body.

Fiscal Impact

Not determinable.

Recommendation

The District should evaluate the adequacy of training and personnel to ensure that all District assets are safeguarded. Further, the District should test the associated student body accounts throughout the year to ensure compliance with District required policies and procedures.

Corrective Action Plan

The District continues to train site personnel on internal control procedures and will perform internal audits on student body accounts.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2010

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2009-1 At Silverado Middle School: <ul style="list-style-type: none">• A schedule detailing the items sold, number of items sold, and the price per unit is not used to support cash receipts.• There are no profit and loss statements being prepared and reviewed for the student store.• There are no inventory counts performed for the student store.• Pre-numbered sub-receipt books are not issued to student clubs. We recommend the following: <ul style="list-style-type: none">• Schedules detailing the items sold, number of items and price per unit should be maintained to support cash receipts.• A periodic physical inventory count of the student store should also take place.• A profit and loss report should be prepared and reviewed for the student store.• Pre-numbered sub-receipt books should be issued and logged for all student clubs.	Not implemented.	The District continues to train site personnel on internal control procedures and has made available all identified forms.