

**DRY CREEK JOINT ELEMENTARY
SCHOOL DISTRICT**
Roseville, California

FINANCIAL STATEMENTS
June 30, 2012

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

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DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Dry Creek Joint Elementary School District, as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Dry Creek Joint Elementary School District as of June 30, 2012, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule on page 40 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dry Creek Joint Elementary School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly presented in all material respects in relation to the financial statements as a whole. The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


Crowe Horwath LLP

Sacramento, California
November 5, 2012



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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 6,889 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.

Financial Highlights

- The District's enrollments for the current and past two years were higher than originally projected, thus lessening the impact of declining enrollment.
- Long-term debt decreased \$2.0 million primarily to payments on the outstanding General Obligation bonds and Mello-Roos bonds.
- The District received one-time grants of approximately \$370 thousand for new buses and to retrofit bus exhaust systems.
- Strong reserve levels were maintained in the 2011-12 year. The Board of Trustees desires to have a 4% Designation for Economic Uncertainties and a 2% General Reserve for the General Fund. Additionally, the District reserved funds for declining enrollment and for unexpected needs and state budget volatility.

Overview of the Financial Statements

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

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

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

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

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

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 fund for the District is the General Fund.

Statement of Net Assets

The District's net assets increased by \$321 thousand to \$114.3 million during 2011-12. Cash and investments decreased primarily due to the ongoing state apportionment deferrals which resulted in an increase in receivables. Capital assets, net of depreciation, decreased by \$2.97 million primarily due to accumulated depreciation growing at a faster rate than acquisition and improvements.

Other liabilities decreased by \$2.6 million mainly due to a reduction of \$1.3 million in Tax Revenue Anticipation Notes and a \$1.2 million reduction to deferred revenues for the Education Jobs Funds program. Long-term liabilities decreased by over \$2.0 million primarily due payments on General Obligation and Mello-Roos Bonds.

The table below summarizes the District's net assets.

Management's Discussion and Analysis

Dry Creek J.E.S.D				
Net Assets				
	2011-12	2010-11	2009-2010	% Change
Cash and investments	\$ 19,915,883	\$ 22,854,885	\$ 20,633,117	-13%
Receivables	12,428,754	10,602,116	7,820,014	17%
Prepaid expenditures	1,242,993	1,496,637	1,575,281	-17%
Stores inventory	882	1,353	1,322	-35%
Capital assets, net	162,227,242	165,198,202	168,679,026	-2%
Total Assets	195,815,754	200,153,193	198,708,760	-2%
Other liabilities	5,783,408	8,428,109	6,926,480	-31%
Long-term liabilities	75,716,068	77,729,941	79,622,152	-3%
Total Liabilities	81,499,476	86,158,050	86,548,632	-5%
Total Net Assets	\$ 114,316,278	\$ 113,995,143	\$ 112,160,128	0%

Statement of Activities

The District's total revenue was \$55.9 million, a decrease of 3% from 2010-2011. The largest change was in Program Revenues largely due to a \$2.89 million legal settlement which was reached in 2010-11. As discussed in prior years, one-time revenues such as legal settlements, state construction matching funds and the Education Jobs Funds results in fluctuations in the revenues and expenses.

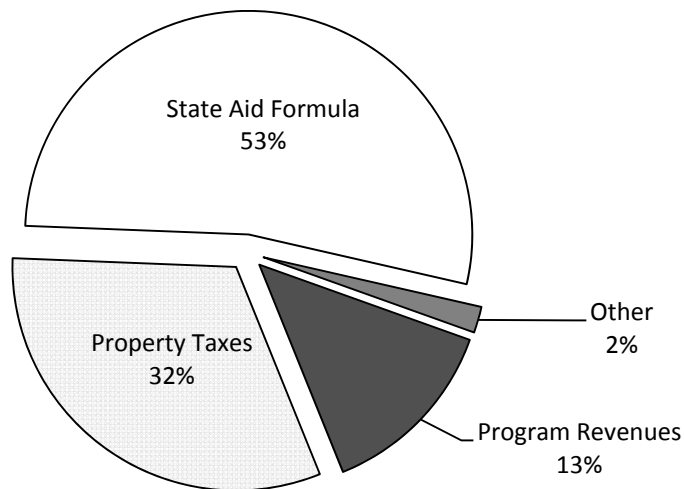
Total expenses decreased by \$283 thousand or by 1% for 2011-12. The change in net asset totaled \$321 thousand. The following table summarizes the change in net assets.

Management's Discussion and Analysis

Dry Creek J.E.S.D. Change in Net Assets				
	2011-12	2010-11	2009-2010	% Change
Revenues:				
General Revenues:				
Property Taxes	\$ 17,747,560	\$ 17,257,857	\$ 17,838,447	3%
State Aid Formula	29,613,773	30,678,694	28,298,107	-3%
Other	1,059,478	1,075,570	986,148	-1%
Program Revenues	7,509,054	8,715,003	5,920,388	-14%
Total Revenues	55,929,865	57,727,124	53,043,090	-3%
Expenses:				
Instructional-related	36,541,893	37,127,767	36,703,643	-2%
Pupil Services	2,129,594	1,970,351	1,920,710	8%
General Administration	2,744,744	3,055,598	3,306,190	-10%
Plant Services	9,053,712	8,696,803	8,501,651	4%
Ancillary Services	186,803	169,243	135,478	10%
Debt Service	2,803,542	2,940,083	2,938,402	-5%
Other Outgo	2,148,442	1,932,264	1,691,160	11%
Total Expense	55,608,730	55,892,109	55,197,234	-1%
Change in Net Assets	321,135	1,835,015	(2,154,144)	-82%
Net Assets, July 1	113,995,143	112,160,128	114,314,272	
Net Assets, June 30	\$ 114,316,278	\$ 113,995,143	\$ 112,160,128	0%

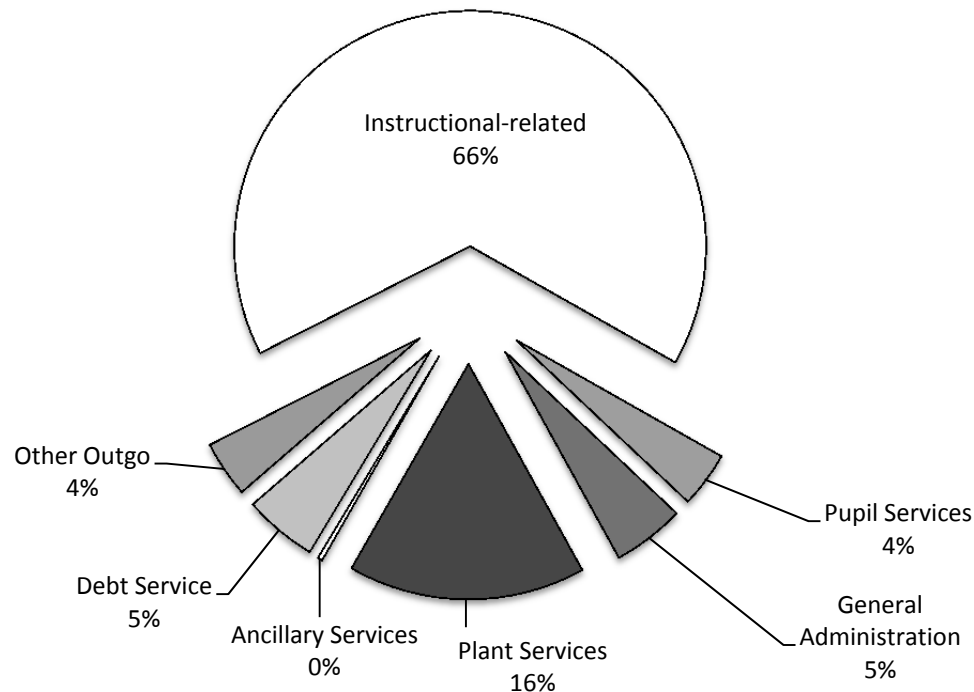
State aid formula and property taxes accounted for 85% of the District's revenue. Another 13% came from state and federal aid for specific programs and the remaining 2% of revenues are from miscellaneous sources as shown in the graph below.

2011-12 Revenues



The total cost of programs and services was \$55.6 million, which represents a 1% decrease over the 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 (66%) as shown in the graph below.

2011-12 Expenses



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 revenues and expenditures for new information. Two specific changes included:
 - The 2011-12 adopted state budget included an automatic mid-year budget trigger based on the state revenue collections and projections as of December 15, 2011. If revenues were more than \$2 billion below projection K-12 education was to receive up to a 4% reduction to Revenue Limits and all Transportation funding. The actual automatic trigger resulted in a reduction of 0.25% reduction to Revenue Limits.
 - In response to the 2012-13 State proposed budget and the inclusion of automatic mid-year reductions the District reduced approximately \$244 thousand during 2011-12.
- 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.

The major differences between the final budget and actuals included:

- Approximately \$1.6 million of program dollars were not spent and will be brought forward into the 2012-13 budget.

Management's Discussion and Analysis

- Budgeted revenue over expense was anticipated to be \$867 thousand, however actual revenue to expense was \$1.9 million due the carrying over of funds into 11-12.

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). Agreements were reached with DCTA for an early retirement incentive in 11-12 and the reduction of certain items for increased to health and welfare benefits for 2012-13. 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.

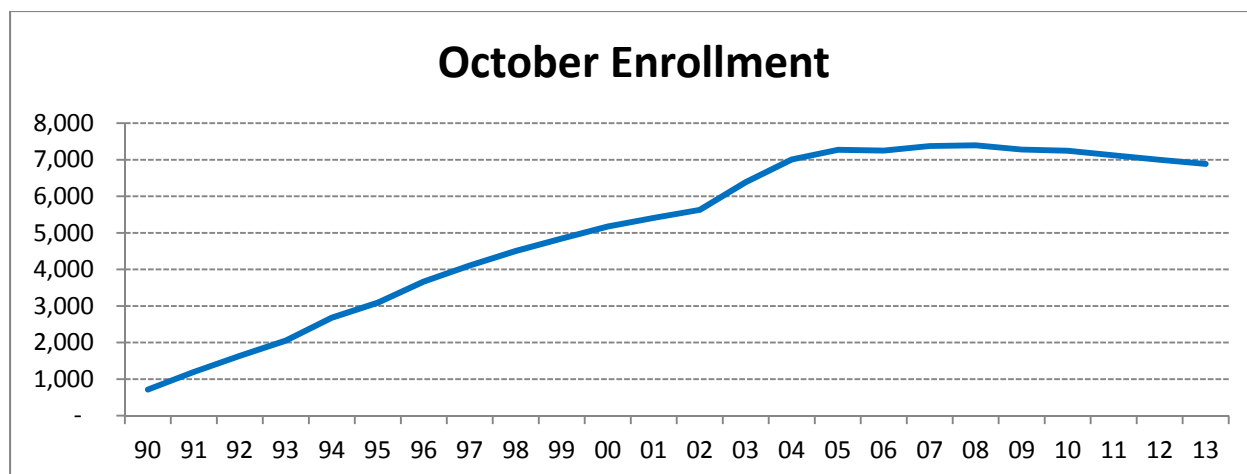
The District's reserves remain at the Board of Trustees required levels of a 4% Designation for Economic Uncertainties and a 2% General Reserve. The District continues its practice of assigning Lottery funds for expense in the following year. In 2008-09 the District created an Enrollment Decline reserve to assist when enrollment and the resulting staffing increase, yet revenues lag one-year behind. Unexpected Needs/State Shortfalls was established to account for unanticipated requirements and volatility in state funding.

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.

Student Growth

Since the 1990's the District has experienced tremendous student growth, however over the past ten years enrollment has remained relatively flat as displayed in the chart below. The October 2012 enrollment was 6,889 a decline of 113 or 1.6% from the prior year.

Even with the recent declines, residential growth will occur in the future as there are approximately 15 developments composing of approximately 2,100 residential units. In addition, there remains a considerable amount of undeveloped land within the District boundaries. The District is positioned to accommodate the future growth as it has obtained a school site and has architectural 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 Creekview Ranch Middle which opened in August 2008.

As shown in the table below, by the end of 2012 the District had invested \$162.2 million in a range of capital assets, including land, site improvements, school buildings, administrative buildings, and equipment. Depreciation expense for the year was \$4.6 million.

Dry Creek J.E.S.D					
Capital Assets (net of depreciation)					
		June 30, 2012		June 30, 2011	June 30, 2010
Land	\$	19,758,808	\$	19,758,808	\$ 19,756,131
Site Improvements		10,067,428		10,909,590	11,843,793
Buildings		126,416,054		129,115,617	121,482,875
Equipment		2,966,839		2,635,094	2,123,696
Work In Progress		3,018,113		2,779,093	13,472,531
	\$	162,227,242	\$	165,198,202	\$ 168,679,026

District Indebtedness

As of June 30, 2012 the District has \$75.7 million of long-term liabilities. This is a decrease of \$2.0 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 82% of the District long-term debt. Additional details regarding indebtedness may be found in the Notes section of the financial statements.

Management's Discussion and Analysis

Dry Creek J.E.S.D				
Long-Term Liabilities				
	June 30, 2012		June 30, 2011	June 30, 2010
General Obligation Bonds	\$ 47,618,606	\$	48,693,526	\$ 49,814,668
Mello Roos Bonds	14,828,280		16,629,690	18,284,251
Accreted Interest	11,975,310		10,994,498	9,967,628
Unamortized Discount	1,180,732		1,303,062	1,425,392
Compensated Absences	113,140		109,165	126,213
Early Retirement Incentive	0		0	4,000
	<u>\$ 75,716,068</u>	\$	<u>77,729,941</u>	<u>\$ 79,622,152</u>

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 as approximately 86% of total General Fund revenues for 2011-12 were from state sources or formulas.
- The 2012-13 adopted State Budget included automatic a mid-year reduction of approximately 6.5% to Revenue Limit funding if in the November 2012 election Proposition 30 fails. The District has assumed in the 2012-13 revenue projection the failure of Proposition 30, with an impact of approximately \$2.9 million.
- 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 architectural plans for the next elementary school and will expand an existing elementary school.

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, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 19,915,883
Receivables	12,428,754
Prepaid expenditures	1,242,993
Stores inventory	882
Non-depreciable capital assets (Note 4)	22,776,921
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>139,450,321</u>
Total assets	<u>195,815,754</u>
LIABILITIES	
Accounts payable	2,777,928
Tax and Revenue Anticipation Notes (TRANS) payable (Note 2)	2,900,000
Deferred revenue	105,480
Long-term liabilities (Note 5):	
Due within one year	2,732,934
Due after one year	<u>72,983,134</u>
Total liabilities	<u>81,499,476</u>
NET ASSETS	
Invested in capital assets, net of related debt	89,541,851
Restricted (Note 6)	10,462,012
Unrestricted	<u>14,312,415</u>
Total net assets	<u>\$ 114,316,278</u>

The accompanying notes to financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
Governmental activities (Note 4):					
Instruction	\$ 32,151,896	\$ 433	\$ 5,394,772		\$ (26,756,691)
Instruction-related services:					
Supervision of instruction	864,014	317	114,394		(749,303)
Instructional library, media and technology	318,343				(318,343)
School site administration	3,207,640	528	3,004		(3,204,108)
Pupil services:					
Home-to-school transportation	914,157	68,487	409,319		(436,351)
Food services	29,504				(29,504)
All other pupil services	1,185,933	2,180	435,740		(748,013)
General administration:					
Data processing	362,840				(362,840)
All other general administration	2,381,904	4,396	364,088		(2,013,420)
Plant services	9,053,712	1,350	249,714		(8,802,648)
Ancillary services	186,803				(186,803)
Interest on long-term liabilities	2,803,542				(2,803,542)
Other outgo	2,148,442	155,451	304,881		(1,688,110)
Total governmental activities	<u>\$ 55,608,730</u>	<u>\$ 233,142</u>	<u>\$ 7,275,912</u>	<u>\$ -</u>	<u>(48,099,676)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					11,513,475
Taxes levied for debt service					6,234,085
Federal and state aid not restricted to specific purposes					29,613,773
Interest and investment earnings					221,298
Miscellaneous					<u>838,180</u>
Total general revenues					<u>48,420,811</u>
Change in net assets					321,135
Net assets, July 1, 2011					<u>113,995,143</u>
Net assets, June 30, 2012					<u>\$ 114,316,278</u>

The accompanying notes to financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments:			
Cash in County Treasury	\$ 4,444,146	\$ 9,649,200	\$ 14,093,346
Cash in County Treasury, restricted for repayment of Tax and Revenue	2,900,000		2,900,000
Anticipation Notes (TRANS)	5,000		5,000
Cash in revolving fund		2,917,537	2,917,537
Cash with Fiscal Agent	12,414,231	14,523	12,428,754
Receivables	882		882
Stores inventory			
Total assets	<u>\$ 19,764,259</u>	<u>\$ 12,581,260</u>	<u>\$ 32,345,519</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,784,795	\$ 222,802	\$ 2,007,597
TRANS payable	2,900,000		2,900,000
Deferred revenue	105,480		105,480
Total liabilities	<u>4,790,275</u>	<u>222,802</u>	<u>5,013,077</u>
Fund balances:			
Nonspendable	5,882		5,882
Restricted	1,021,091	11,124,159	12,145,250
Assigned	1,876,901	1,234,299	3,111,200
Unassigned	12,070,110		12,070,110
Total fund balances	<u>14,973,984</u>	<u>12,358,458</u>	<u>27,332,442</u>
Total liabilities and fund balances	<u>\$ 19,764,259</u>	<u>\$ 12,581,260</u>	<u>\$ 32,345,519</u>

See accompanying notes to financial statements.

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

June 30, 2012

Total fund balances - Governmental Funds \$ 27,332,442

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 \$204,937,361 and the accumulated depreciation is \$42,710,119 (Note 4).

162,227,242

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, 2012 consisted of (Note 5):

General Obligation Bonds	\$ (47,618,606)
Mello-Roos Bonds	(14,828,280)
Accreted interest	(11,975,310)
Unamortized premium	(1,180,732)
Compensated absences	<u>(113,140)</u>

(75,716,068)

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

1,242,993

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

(770,331)

Total net assets - governmental activities

\$ 114,316,278

The accompanying notes to 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, 2012

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Revenue limit sources:			
State apportionment	\$ 25,354,921		\$ 25,354,921
Local sources	<u>10,519,649</u>		<u>10,519,649</u>
Total revenue limit	<u>35,874,570</u>		<u>35,874,570</u>
Federal sources	3,313,454		3,313,454
Other state sources	6,429,873	\$ 1,045,432	7,475,305
Other local sources	<u>3,689,172</u>	<u>5,565,493</u>	<u>9,254,665</u>
Total revenues	<u>49,307,069</u>	<u>6,610,925</u>	<u>55,917,994</u>
Expenditures:			
Certificated salaries	25,663,565		25,663,565
Classified salaries	5,929,326		5,929,326
Employee benefits	8,462,887		8,462,887
Books and supplies	1,746,906		1,746,906
Contract services and operating expenditures	3,752,233	130,518	3,882,751
Capital outlay	577,624	1,406,881	1,984,505
Other outgo	1,211,316		1,211,316
Debt service:			
Principal retirement		2,876,330	2,876,330
Interest		<u>2,897,532</u>	<u>2,897,532</u>
Total expenditures	<u>47,343,857</u>	<u>7,311,261</u>	<u>54,655,118</u>
Excess of revenues over expenditures	<u>1,963,212</u>	<u>(700,336)</u>	<u>1,262,876</u>
Other financing sources (uses):			
Operating transfers in	151,840	515,000	666,840
Operating transfers out		<u>(666,840)</u>	<u>(666,840)</u>
Total other financing sources (uses)	<u>151,840</u>	<u>(151,840)</u>	
Net change in fund balances	2,115,052	(852,176)	1,262,876
Fund balances, July 1, 2011	<u>12,858,932</u>	<u>13,210,634</u>	<u>26,069,566</u>
Fund balances, June 30, 2012	<u>\$ 14,973,984</u>	<u>\$ 12,358,458</u>	<u>\$ 27,332,442</u>

See accompanying notes to 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, 2012

Net change in fund balances - Total Governmental Funds		\$	1,262,876
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).	\$	2,000,323	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(4,973,046)	
The entire proceeds from disposal of capital assets are reported as revenue in the governmental funds (Note 4).		(10,108)	
Donated capital assets are not recorded in governmental funds. In government-wide statements, donated capital assets are reported as revenue and as an increase to capital assets, at their fair market value (Note 4).		11,871	
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).		2,876,330	
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).		(980,812)	
Unmatured interest is an expense that is not recorded in the governmental funds.		93,990	
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>(3,975)</u>	<u>(941,741)</u>
Change in net assets of governmental activities		\$	<u><u>321,135</u></u>

The accompanying notes to financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

June 30, 2012

ASSETS

Cash on hand and in banks (Note 2)	<u>\$ 88,492</u>
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LIABILITIES

Due to student groups	<u>\$ 88,492</u>
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See accompanying notes to 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. 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 Deputy Superintendent 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 - Special Revenue Fund:

The Deferred Maintenance Fund is a special revenue fund 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 - 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, Capital Facilities and Special Reserve Funds.

4 - 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.

B - Fiduciary Fund Types

1 - Agency Funds:

The Agency Funds are used to account for the various funds for which the District acts as an agent. The District maintains 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.

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 \$113,140 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

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 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. It is the District's policy to use restricted net assets first when allowable expenditures are incurred.

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2012, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances. As of June 30, 2012, the Superintendent has been designated with the authority to assign fund balances.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2012, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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.

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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 14,093,346	
Cash in County Treasury, restricted for repayment of TRANS	2,900,000	
Deposits:		
Cash in revolving fund	5,000	
Cash on hand and in banks		\$ 88,492
Cash with Fiscal Agent	<u>2,917,537</u>	<u> </u>
Total	<u>\$ 19,915,883</u>	<u>\$ 88,492</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.

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, 2012, 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 23, 2011, the District issued \$2,900,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on October 4, 2012, 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, 2012. As of June 30, 2012, funds totaling \$2,900,000 held in the General Fund were pledged to repay the principal and accrued interest.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$93,492 and the bank balance was \$93,492, all of which was insured.

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, 2012.

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, 2012, 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.

Concentration of Investment Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, 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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. INTERFUND TRANSACTIONS (Continued)

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 2011-2012 fiscal year were as follows:

Transfer from the Capital Facilities Fund to the General Fund for administrative costs related to collecting developer fees.	\$ 4,840
Transfer from the Special Reserve Fund to the General Fund for the purchase of school buses.	147,000
Transfer from the Mello-Roos Fund to the General Obligation Bond Building Fund to repay construction costs from excess tax collections.	<u>515,000</u>
	<u><u>\$ 666,840</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2012 is shown below:

	Balance July 1, 2012	Additions	Deductions	Transfers	Balance June 30, 2013
Non-depreciable:					
Land	\$ 19,758,808				\$ 19,758,808
Work-in-process	2,779,093	\$ 914,267		\$ (675,247)	3,018,113
Depreciable:					
Improvement of sites	19,564,089	67,828			19,631,917
Buildings	155,651,201	352,527		421,653	156,425,381
Equipment	<u>5,501,013</u>	<u>677,572</u>	<u>\$ 329,037</u>	<u>253,594</u>	<u>6,103,142</u>
Totals, at cost	<u>203,254,204</u>	<u>2,012,194</u>	<u>329,037</u>		<u>204,937,361</u>
Less accumulated depreciation:					
Improvement of sites	(8,654,499)	(909,990)			(9,564,489)
Buildings	(26,535,584)	(3,473,743)			(30,009,327)
Equipment	<u>(2,865,919)</u>	<u>(589,313)</u>	<u>(318,929)</u>		<u>(3,136,303)</u>
Total accumulated depreciation	<u>(38,056,002)</u>	<u>(4,973,046)</u>	<u>(318,929)</u>		<u>(42,710,119)</u>
Capital assets, net	<u>\$ 165,198,202</u>	<u>\$ (2,960,852)</u>	<u>\$ 10,108</u>	<u>\$ -</u>	<u>\$ 162,227,242</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 63,845
Supervision of instruction	2,875
Home-to-school transportation	112,145
Food services	712
All other general administration	9,586
Data processing	30,071
Plant services	<u>4,753,812</u>
Total depreciation expense	<u>\$ 4,973,046</u>

5. LONG-TERM LIABILITIES

General Obligation Bonds, Series A

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

The Bonds mature serially in varying amounts during the succeeding years through 2023, with interest rates ranging from 4.40% to 6.10%. Future payments are scheduled as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	488,890	946,110	1,435,000
2017	483,301	1,021,699	1,505,000
2018-2022	2,302,070	6,427,930	8,730,000
2023	<u>449,587</u>	<u>1,565,413</u>	<u>2,015,000</u>
Totals	<u>\$ 5,231,585</u>	<u>\$ 12,358,415</u>	<u>\$ 17,590,000</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

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</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 305,000	\$ 8,197	\$ 313,197

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</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	\$ 310,188	\$ 360,188
2014	390,000	301,388	691,388
2015	415,000	285,288	700,288
2016	445,000	268,088	713,088
2017	480,000	246,588	726,588
2018-2022	3,025,000	840,971	3,865,971
2023-2025	<u>2,355,000</u>	<u>156,992</u>	<u>2,511,992</u>
Totals	<u>\$ 7,160,000</u>	<u>\$ 2,409,503</u>	<u>\$ 9,569,503</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

2008 General Obligation Bonds

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

The Bonds mature serially in varying amounts during the succeeding years through 2033, with interest rates varying from 3.00% to 8.00%.

Future payments are scheduled as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	460,000	885,075	1,345,075
2017	560,000	865,825	1,425,825
2018-2022	4,630,000	3,862,219	8,492,219
2023-2027	8,865,000	2,395,844	11,260,844
2028-2032	7,669,516	7,567,872	15,237,388
2033	<u>548,828</u>	<u>3,096,172</u>	<u>3,645,000</u>
Totals	<u>\$ 23,613,344</u>	<u>\$ 21,399,126</u>	<u>\$ 45,012,470</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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

2009 General Obligation Bonds (Continued)

The Bonds mature serially in varying amounts during the succeeding years through 2050, 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>
2013	\$ 40,000	\$ 140,806	\$ 180,806
2014	25,000	140,093	165,093
2015		139,782	139,782
2016	10,000	139,632	149,632
2017	20,000	139,157	159,157
2018-2022	265,000	673,682	938,682
2023-2027	680,000	580,639	1,260,639
2028-2032	1,320,000	357,319	1,677,319
2033-2037	3,272,173	10,748,327	14,020,500
2038-2042	3,135,597	19,039,402	22,174,999
2043-2047	2,347,060	20,682,940	23,030,000
2048-2050	<u>193,847</u>	<u>7,276,154</u>	<u>7,470,001</u>
Totals	<u>\$ 11,308,677</u>	<u>\$ 60,057,933</u>	<u>\$ 71,366,610</u>

Series 1996 Special Tax Bonds

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

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>
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>\$ 780,000</u>	<u>\$ 70,980</u>	<u>\$ 850,980</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 1996B Special Tax Bonds

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

The Bonds mature serially in varying amounts during the succeeding years through 2017, with interest rates ranging from 4.40% to 6.00%. Future payments are scheduled as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 315,248	\$ 469,752	\$ 785,000
2014	218,080	361,920	580,000
2015	137,163	252,837	390,000
2016	39,800	80,200	120,000
2017	<u>168,836</u>	<u>376,164</u>	<u>545,000</u>
Totals	<u>\$ 879,127</u>	<u>\$ 1,540,873</u>	<u>\$ 2,420,000</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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 1999 Special Tax Bonds (Continued)

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>
2013	\$ 420,000	\$ 88,710	\$ 508,710
2014	460,000	66,040	526,040
2015	490,000	41,218	531,218
2016	535,000	14,178	549,178
2017	45,740	74,260	120,000
2018-2020	<u>263,413</u>	<u>491,587</u>	<u>755,000</u>
Totals	<u>\$ 2,214,153</u>	<u>\$ 775,993</u>	<u>\$ 2,990,146</u>

Series 2003 Special Tax Bonds

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

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>
2013	\$ 320,000	\$ 361,751	\$ 681,751
2014	350,000	349,341	699,341
2015	395,000	334,791	729,791
2016	425,000	318,391	743,391
2017	465,000	300,010	765,010
2018-2022	3,445,000	1,081,990	4,526,990
2023-2026	<u>2,675,000</u>	<u>212,614</u>	<u>2,887,614</u>
Totals	<u>\$ 8,075,000</u>	<u>\$ 2,958,888</u>	<u>\$ 11,033,888</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 2005 Special Tax Bonds

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

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 70,000	\$ 124,687	\$ 194,687
2014	85,000	121,869	206,869
2015	90,000	118,588	208,588
2016	100,000	114,900	214,900
2017	115,000	110,600	225,600
2018-2022	740,000	469,956	1,209,956
2023-2027	1,180,000	265,576	1,445,576
2028-2029	<u>500,000</u>	<u>21,749</u>	<u>521,749</u>
Totals	<u>\$ 2,880,000</u>	<u>\$ 1,347,925</u>	<u>\$ 4,227,925</u>

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Balance</u> <u>July 1,</u> <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 48,693,526		\$ 1,074,920	\$ 47,618,606	\$ 1,121,946
Mello-Roos Bonds	16,629,690		1,801,410	14,828,280	1,375,248
Accreted interest	10,994,498	\$ 980,812		11,975,310	
Unamortized premium	1,303,062		122,330	1,180,732	122,330
Compensated absences	<u>109,165</u>	<u>3,975</u>		<u>113,140</u>	<u>113,410</u>
	<u>\$ 77,729,941</u>	<u>\$ 984,787</u>	<u>\$ 2,998,660</u>	<u>\$ 75,716,068</u>	<u>\$ 2,732,934</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 compensated absences and early retirement incentive are made from the fund for which the related employee worked.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. NET ASSETS / FUND BALANCES

The restricted net assets as of June 30, 2012 consisted of the following:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues	\$ 1,021,091
Restricted for special revenue programs	1,068,167
Restricted for debt service	2,694,938
Restricted for capital projects	<u>5,677,816</u>
	<u><u>\$ 10,462,012</u></u>

Fund balances, by category, at June 30, 2012 consisted of the following:

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:			
Revolving cash fund	\$ 5,000		\$ 5,000
Stores inventory	<u>882</u>		<u>882</u>
Subtotal nonspendable	<u>5,882</u>		<u>5,882</u>
Restricted:			
Unspent categorical revenues	1,021,091		1,021,091
Special revenues			
Capital projects		\$ 5,511,684	5,511,684
Debt service		<u>5,612,475</u>	<u>5,612,475</u>
Subtotal restricted	<u>1,021,091</u>	<u>11,124,159</u>	<u>12,145,250</u>
Assigned:			
Board assignments	<u>1,876,901</u>	<u>1,234,299</u>	<u>3,111,200</u>
Unassigned:			
Designated for economic uncertainty	6,532,534		6,532,534
Undesignated	<u>5,537,576</u>		<u>5,537,576</u>
Subtotal unassigned	<u>12,070,110</u>		<u>12,070,110</u>
Total fund balances	<u><u>\$ 14,973,984</u></u>	<u><u>\$ 12,358,458</u></u>	<u><u>\$ 27,332,442</u></u>

7. EMPLOYEE RETIREMENT SYSTEMS

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% 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 2011-2012 was 10.923% 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, 2010, 2011 and 2012 were \$530,336, \$549,311 and \$560,065, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

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) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2011-2012 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, 2010, 2011 and 2012 were \$2,149,163, \$2,122,736 and \$2,097,296, 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, 2012.

Total assets	\$ 80,723,208
Total liabilities	\$ 28,539,729
Total net assets	\$ 52,183,479
Total revenues	\$ 78,964,495
Total expenses	\$ 79,076,550
Change in net assets	\$ (112,055)

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, 2011 (the latest information available):

Total assets	\$ 13,602,413
Total liabilities	\$ 7,404,396
Net assets	\$ 6,198,017
Total revenues	\$ 35,320,550
Total expenses	\$ 34,884,934
Change in net assets	\$ 435,616

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 18, 2012, the District issued \$2,000,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on September 24, 2013, with interest at 1.5%, 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 years ended June 30, 2013 and June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2012

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 22,678,750	\$ 24,594,777	\$ 25,354,921	\$ 760,144
Local sources	<u>11,141,879</u>	<u>11,309,036</u>	<u>10,519,649</u>	<u>(789,387)</u>
Total revenue limit	<u>33,820,629</u>	<u>35,903,813</u>	<u>35,874,570</u>	<u>(29,243)</u>
Federal sources	3,199,115	3,518,670	3,313,454	(205,216)
Other state sources	5,447,980	6,433,629	6,429,873	(3,756)
Other local sources	<u>2,516,610</u>	<u>3,570,511</u>	<u>3,689,172</u>	<u>118,661</u>
Total revenues	<u>44,984,334</u>	<u>49,426,623</u>	<u>49,307,069</u>	<u>(119,554)</u>
Expenditures:				
Certificated salaries	25,156,937	25,837,245	25,663,565	173,680
Classified salaries	5,999,681	5,949,936	5,929,326	20,610
Employee benefits	8,331,240	8,560,735	8,462,887	97,848
Books and supplies	1,412,503	2,115,346	1,746,906	368,440
Contract services and operating expenditures	4,246,477	4,264,386	3,752,233	512,153
Capital outlay	14,374	599,979	577,624	22,355
Other outgo	<u>1,021,457</u>	<u>1,213,316</u>	<u>1,211,316</u>	<u>2,000</u>
Total expenditures	<u>46,182,669</u>	<u>48,540,943</u>	<u>47,343,857</u>	<u>1,197,086</u>
(Deficiency) excess of revenues (under) over expenditures	(1,198,335)	885,680	1,963,212	1,077,532
Other financing sources:				
Operating transfers in	<u>5,000</u>	<u>152,000</u>	<u>151,840</u>	<u>(160)</u>
Net change in fund balance	(1,193,335)	1,037,680	2,115,052	1,077,372
Fund balance, July 1, 2011	<u>12,858,932</u>	<u>12,858,932</u>	<u>12,858,932</u>	
Fund balance, June 30, 2012	<u>\$ 11,665,597</u>	<u>\$ 13,896,612</u>	<u>\$ 14,973,984</u>	<u>\$ 1,077,372</u>

See accompanying notes to financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2012

ASSETS

Cash in County Treasury
Cash with Fiscal Agent
Receivables

Total assets

LIABILITIES AND
FUND BALANCES

Liabilities:

Accounts payable

Fund balances:

Restricted
Assigned

Total fund balances

Total liabilities and fund
balances

	Deferred Maintenance Fund	General Obligation Bond Building Fund	Capital Facilities Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Mello-Roos Fund	Total
	\$ 1,279,907	\$ 2,380,545	\$ 3,131,862	\$ 165,762	\$ 2,691,124	\$ 2,917,537	\$ 9,649,200
	<u>3,635</u>	<u>3,031</u>	<u>3,673</u>	<u>370</u>	<u>3,065</u>	<u>749</u>	<u>2,917,537</u>
							<u>14,523</u>
	\$ 1,283,542	\$ 2,383,576	\$ 3,135,535	\$ 166,132	\$ 2,694,189	\$ 2,918,286	\$ 12,581,260
	\$ 215,375	\$ 7,427					\$ 222,802
	1,068,167	2,376,149	\$ 3,135,535	\$ 166,132	\$ 2,694,189	\$ 2,918,286	11,124,159
	<u>1,068,167</u>			<u>166,132</u>			<u>1,234,299</u>
	1,068,167	2,376,149	3,135,535	166,132	2,694,189	2,918,286	12,358,458
	\$ 1,283,542	\$ 2,383,576	\$ 3,135,535	\$ 166,132	\$ 2,694,189	\$ 2,918,286	\$ 12,581,260

See accompanying notes to 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, 2012

	Deferred Maintenance Fund	General Obligation Bond Building Fund	Capital Facilities Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Mello-Roos Fund	Total
Revenues:							
Other state sources	\$ 21,252	\$ 45,878	\$ 282,301	\$ 4,848	\$ 1,045,432	\$ 3,074,849	\$ 1,045,432
Other local sources					2,136,365		5,565,493
Total revenues	21,252	45,878	282,301	4,848	3,181,797	3,074,849	6,610,925
Expenditures:							
Contract services and operating expenditures	11,573	6,999	111,946				130,518
Capital outlay	491,129	915,752					1,406,881
Debt service:							
Principal retirement					1,074,920	1,801,410	2,876,330
Interest					2,060,771	836,761	2,897,532
Total expenditures	502,702	922,751	111,946		3,135,691	2,638,171	7,311,261
(Deficiency) excess of revenues (under) over expenditures	(481,450)	(876,873)	170,355	4,848	46,106	436,678	(700,336)
Other financing sources (uses):							
Operating transfers in		515,000		(147,000)		(515,000)	515,000
Operating transfers out			(4,840)				(666,840)
Total other financing sources (uses)		515,000	(4,840)	(147,000)		(515,000)	(151,840)
Net change in fund balances	(481,450)	(361,873)	165,515	(142,152)	46,106	(78,322)	(852,176)
Fund balances, July 1, 2011	1,549,617	2,738,022	2,970,020	308,284	2,648,083	2,996,608	13,210,634
Fund balances, June 30, 2012	1,068,167	2,376,149	3,135,535	166,132	2,694,189	2,918,286	12,358,458

See accompanying notes to 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, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Dry Creek School</u>				
Assets:				
Cash on hand and in banks	\$ <u>289</u>	\$ <u>48</u>	\$ <u>48</u>	\$ <u>289</u>
Liabilities:				
Due to student groups	\$ <u>289</u>	\$ <u>48</u>	\$ <u>48</u>	\$ <u>289</u>
<u>Heritage Oak School</u>				
Assets:				
Cash on hand and in banks	\$ <u>579</u>	\$ <u>659</u>	\$ <u>586</u>	\$ <u>652</u>
Liabilities:				
Due to student groups	\$ <u>579</u>	\$ <u>659</u>	\$ <u>586</u>	\$ <u>652</u>
<u>Antelope Meadows School</u>				
Assets:				
Cash on hand and in banks	\$ <u>1,283</u>	\$ <u>165</u>	\$ <u>133</u>	\$ <u>1,315</u>
Liabilities:				
Due to student groups	\$ <u>1,283</u>	\$ <u>165</u>	\$ <u>133</u>	\$ <u>1,315</u>
<u>Antelope Crossing School</u>				
Assets:				
Cash on hand and in banks	\$ <u>33,050</u>	\$ <u>161,399</u>	\$ <u>159,132</u>	\$ <u>35,317</u>
Liabilities:				
Due to student groups	\$ <u>33,050</u>	\$ <u>161,399</u>	\$ <u>159,132</u>	\$ <u>35,317</u>
<u>Quail Glen School</u>				
Assets:				
Cash on hand and in banks	\$ <u>1,969</u>	\$ <u>455</u>	\$ <u>468</u>	\$ <u>1,956</u>
Liabilities:				
Due to student groups	\$ <u>1,969</u>	\$ <u>455</u>	\$ <u>468</u>	\$ <u>1,956</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, 2012**

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Olive Grove School</u>				
Assets:				
Cash on hand and in banks	\$ <u>121</u>	\$ <u>16</u>	\$ <u>32</u>	\$ <u>105</u>
Liabilities:				
Due to student groups	\$ <u>121</u>	\$ <u>16</u>	\$ <u>32</u>	\$ <u>105</u>
<u>Coyote Ridge School</u>				
Assets:				
Cash on hand and in bank	\$ <u>3,322</u>	\$ <u>1,483</u>	\$ <u>4,037</u>	\$ <u>768</u>
Liabilities:				
Due to student groups	\$ <u>3,322</u>	\$ <u>1,483</u>	\$ <u>4,037</u>	\$ <u>768</u>
<u>Silverado Middle School</u>				
Assets:				
Cash on hand and in bank	\$ <u>27,890</u>	\$ <u>174,150</u>	\$ <u>179,636</u>	\$ <u>22,404</u>
Liabilities:				
Due to student groups	\$ <u>27,890</u>	\$ <u>174,150</u>	\$ <u>179,636</u>	\$ <u>22,404</u>
<u>Barrett Ranch School</u>				
Assets:				
Cash on hand and in bank	\$ <u>1,037</u>	\$ <u>2,103</u>	\$ <u>1,263</u>	\$ <u>1,877</u>
Liabilities:				
Due to student groups	\$ <u>1,037</u>	\$ <u>2,103</u>	\$ <u>1,263</u>	\$ <u>1,877</u>
<u>Creekview Ranch Middle School</u>				
Assets:				
Cash on hand and in bank	\$ <u>46,606</u>	\$ <u>119,962</u>	\$ <u>142,759</u>	\$ <u>23,809</u>
Liabilities:				
Due to student groups	\$ <u>46,606</u>	\$ <u>119,962</u>	\$ <u>142,759</u>	\$ <u>23,809</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, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	<u>\$ 116,146</u>	<u>\$ 460,440</u>	<u>\$ 488,094</u>	<u>\$ 88,492</u>
Liabilities:				
Due to student groups	<u>\$ 116,146</u>	<u>\$ 460,440</u>	<u>\$ 488,094</u>	<u>\$ 88,492</u>

See accompanying notes to financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

ORGANIZATION

June 30, 2012

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, 2012, the District is operating seven elementary schools and three middle schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Scott Otsuka	President	December 2012
Diane Howe	Clerk	December 2014
Jeffery Holland	Member	December 2014
Jeff Randall	Member	December 2012
Tracy Pittman	Member	December 2014

ADMINISTRATION

Mark Geyer
Superintendent

Bradley Tooker
Deputy Superintendent

Roger Van Putten
Chief Fiscal Officer

Evonne Rogers
Assistant Superintendent, Educational Services

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2012

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	666	672
First through Third	2,087	2,091
Fourth through Sixth	2,281	2,279
Seventh and Eighth	1,616	1,620
Home and Hospital	6	6
Special Education	<u>156</u>	<u>153</u>
Totals	<u><u>6,812</u></u>	<u><u>6,821</u></u>

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2012

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2011-12 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	55,650	180	In Compliance
Grade 7	54,000	54,000	55,650	180	In Compliance
Grade 8	54,000	54,000	55,650	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, 2012

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 1,060,307
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	21,677
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	13682	121,004
84.027	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	14468	<u>18,625</u>
	Subtotal Special Education Cluster		<u>1,221,613</u>
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	467,662
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	1,666
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology, Formula Grants	14334	1,710
84.367	NCLB: Title II, Part A, Teacher Quality	14341	61,136
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	114,310
84.410	Education Jobs Fund	25152	<u>1,329,755</u>
	Total U.S. Department of Education		<u>3,197,852</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Billing Option	10013	<u>66,313</u>
	Total Federal Programs		<u>\$ 3,264,165</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, 2012

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, 2012

(UNAUDITED)

	(Budget) 2013	2012	2011	2010
<u>General Fund</u>				
Revenues and other financing sources	\$ 43,222,714	\$ 49,458,909	\$ 48,389,999	\$ 47,191,654
Expenditures	47,760,742	47,343,857	46,956,259	46,796,437
Other uses and transfers out	<u> </u>	<u> </u>	<u> </u>	<u>495,272</u>
Total outgo	<u>47,760,742</u>	<u>47,343,857</u>	<u>46,956,259</u>	<u>47,291,709</u>
Change in fund balance	\$ <u>(4,538,028)</u>	\$ <u>2,115,052</u>	\$ <u>1,433,740</u>	\$ <u>(100,055)</u>
Ending fund balance	\$ <u>10,435,956</u>	\$ <u>14,973,984</u>	\$ <u>12,858,932</u>	\$ <u>11,425,192</u>
Available reserves	\$ <u>8,954,910</u>	\$ <u>12,070,110</u>	\$ <u>9,839,103</u>	\$ <u>5,198,081</u>
Designated for economic uncertainties	\$ <u>5,064,223</u>	\$ <u>6,532,534</u>	\$ <u>5,248,728</u>	\$ <u>1,891,670</u>
Undesignated fund balance	\$ <u>3,890,687</u>	\$ <u>5,537,576</u>	\$ <u>4,590,375</u>	\$ <u>3,306,411</u>
Available reserves as per- centages of total outgo	<u>18.8%</u>	<u>25.5%</u>	<u>21.0%</u>	<u>11.0%</u>
Total long-term liabilities	\$ <u>72,983,134</u>	\$ <u>75,716,068</u>	\$ <u>77,729,941</u>	\$ <u>79,622,152</u>
Average daily attendance at P-2	<u>6.613</u>	<u>6.812</u>	<u>6.906</u>	<u>7.000</u>

The General Fund fund balance has increased by \$3,448,737 over the past three years. The District projects a decrease of \$4,538,028 for the year ending June 30, 2013. 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, 2013.

Total long-term liabilities have decreased by \$3,906,084 over the past two years.

Average daily attendance has decreased by 188 over the past two years and is anticipated to decrease by 199 during the year ending June 30, 2013.

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2012

<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, 2012.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 3,313,454
Less: Medi-Cal Administrative Activities (MAA) funds unspent	93.778	(25,043)
Medi-Cal Billing Option funds unspent	93.778	<u>(24,246)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,264,165</u>

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 - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2012-2013 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

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, 2012, the District did not adopt this program.

INDEPENDENT AUDITORS' 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, 2012. 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>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	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
Juvenile Court Schools	8	No, see below
Exclusion of Pupils - Pertussis Immunization	2	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	5	No, see below
Before school	6	No, see below
Contemporaneous Records of Attendance		
for charter schools	3	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	4	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 and Juvenile Court Schools Program; therefore, we did not perform any testing of these programs.

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 2011-2012 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, 2012, 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 2011-2012 fiscal year to the 2011-2012 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, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Dry Creek Joint Elementary School District had not complied with the state laws and regulations.

This report is intended solely for the information of the Board of Trustees, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California
November 5, 2012

INDEPENDENT AUDITORS' 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, 2012, and have issued our report thereon dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Dry Creek Joint Elementary School District is responsible for establishing and maintaining effective 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dry Creek Joint Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Sacramento, California
November 5, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Dry Creek Joint Elementary School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dry Creek Joint Elementary School District's major federal programs for the year ended June 30, 2012. Dry Creek Joint Elementary School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Dry Creek Joint Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dry Creek Joint Elementary School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dry Creek Joint Elementary School District's internal control over compliance.

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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink, appearing to read "Crowe Horwath LLP", is positioned above the printed name of the firm.

Crowe Horwath LLP

Sacramento, California
November 5, 2012

FINDINGS AND RECOMMENDATIONS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

	_____ Yes	<u> X </u> No
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FEDERAL AWARDS

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A, 84.027 84.410	Special Education Cluster Education Jobs Fund

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

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

STATE AWARDS

Type of auditors' 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, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

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, 2012

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, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
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No matters were reported.