

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

FINANCIAL STATEMENTS
June 30, 2014

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dry Creek Joint Elementary School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Dry Creek Joint Elementary School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dry Creek Joint Elementary School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 10 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

Supplementary Information

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 expenditure 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 the other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic 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 basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014 on our consideration of Dry Creek Joint Elementary School District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dry Creek Joint Elementary School District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
October 23, 2014



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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 Sacramento County. At the time of this report the District serves approximately 6,765 students in seven elementary schools and two 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 by almost \$1.9 million primarily to payments on the outstanding General Obligation Bonds and Mello Roos Bonds.
- Strong reserve levels were maintained in the 2013-14 year. The Board of Trustees requires a 4% Designation for Economic Uncertainties and a 2% General Reserve for the General Fund. Additionally, the District reserved funds for declining enrollment and for the Local Control Funding Formula Gap or unexpected needs.

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 financial condition as follows:

Management's Discussion and Analysis

- 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 the District's operations in *more detail* than the district-wide statements.
- The *governmental funds* statements tell how basic services such as general 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 Position 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 report the District's major funds separately and combine all other non-major funds in total in one column. The major funds for the District are the General Fund and the Capital Facilities Fund.

Statement of Net Position

The District's net position increased to \$112.4 million during 2013-14. Cash and investments increased by \$4.2 million primarily due to the buying back of state apportionment deferrals. Capital assets, net of depreciation, decreased by \$4.5 million primarily due to accumulated depreciation growing at a faster rate than acquisition and improvements.

Long-term liabilities decreased by almost \$1.9 million primarily due to payments on General Obligation and Mello-Roos Bonds.

The table below summarizes the District's Net Position.

Dry Creek J.E.S.D. Statement of Net Position					
	2013-14	2012-13	2011-12	% Change	
Cash & Investments	\$ 28,052,694	\$ 23,779,487	\$ 19,915,883	18%	
Receivables	5,362,304	8,575,018	12,428,754	-37%	
Prepaid Expenses	0	0	1,242,993	0%	
Other Current	1,016	1,091	882	-7%	
Capital Assets	153,358,982	157,853,920	162,227,242	-3%	
Total Assets	186,774,996	190,209,516	195,815,754	-2%	
Other Liabilities	2,914,208	4,619,071	5,783,408	-37%	
Long-Term Liabilities	71,377,631	73,269,361	75,716,068	-3%	
Total Liabilities	74,291,839	77,888,432	81,499,476	-5%	
Total Net Position	\$ 112,483,157	\$ 112,321,084	\$ 114,316,278	0%	

Management's Discussion and Analysis

Statement of Activities

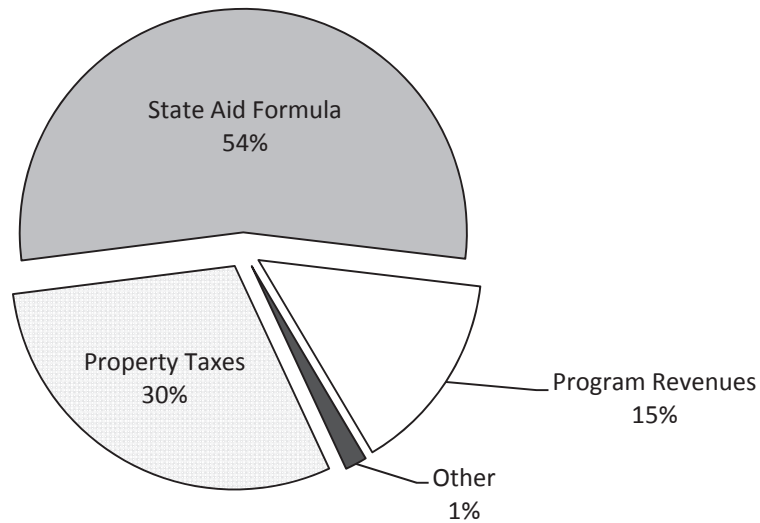
The District's total revenue was \$57.5 million, an increase of \$4.5 million or 9% from 2012-13. The largest change was in Program Revenues largely due to one-time funding of \$1.3 million in Common Core Funding and \$1.1 million in school facilities funding. As discussed in prior years, one-time revenues may result in fluctuations in the revenues and expenses.

Total expenses increase by \$3.6 million or by 7% for 2013-14, resulting in an increase in net position of \$162 thousand. The following table summarizes the change in net position.

Dry Creek J.E.S.D. Statement of Activities				
	2013-14	2012-13	2011-12	% Change
Revenues:				
General Revenues:				
Property Taxes	\$ 17,214,506	\$ 16,454,597	\$ 17,747,560	5%
State Aid Formula	30,985,348	29,448,934	29,613,773	5%
Other	902,287	930,311	1,059,478	-3%
Program Revenues	8,397,158	6,086,763	7,509,054	38%
Total Revenues	57,499,299	52,920,605	55,929,865	9%
Expenses:				
Instructional-related	38,501,459	35,587,092	36,541,893	8%
Pupil Services	2,052,129	2,040,270	2,129,594	1%
General Administration	2,874,528	2,541,947	2,744,744	13%
Plant Services	9,205,295	9,142,613	9,053,712	1%
Ancillary Services	133,335	140,402	186,803	-5%
Debt Service	3,051,918	3,172,871	2,803,542	-4%
Other Outgo	1,518,562	1,047,611	2,148,442	45%
Total Expense	57,337,226	53,672,806	55,608,730	7%
Change in Net Position	162,073	(752,201)	321,135	
Net Position, July 1	112,321,084	114,316,278	113,995,143	
Restatement: Change in Accounting Principle	0	(1,242,993)	0	
Net Position, July 1, Restated	112,321,084	113,073,285	113,995,143	
Net Position, June 30	\$ 112,483,157	\$ 112,321,084	\$ 114,316,278	

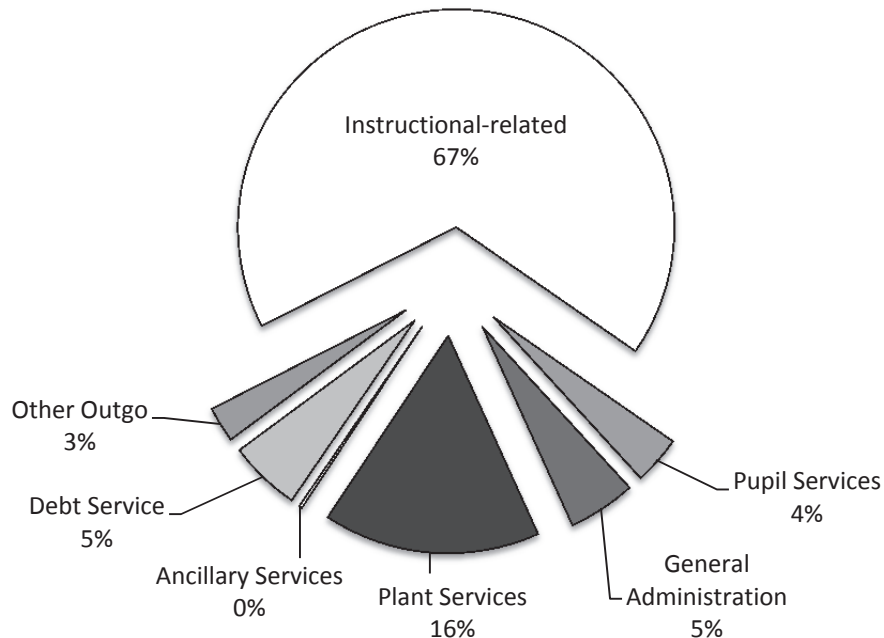
State aid formula and property taxes accounted for 84% of the District's revenue. Another 15% came from state and federal aid for specific programs, and the remaining 1% of revenues are from miscellaneous sources as shown in the graph on the next page.

2013-14 Revenues



The total cost of programs and services for 2013-14 was \$57.3 million, which represents a 7% increase 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 (67%) as shown in the graph below.

2013-14 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 District's adopted budget required after approval of the state budget. The major change being the inclusion of the new Local Control Funding Formula (LCFF).
- Budget revisions acknowledging the inclusions of restricted ending balances, unearned revenues, and carryover from the prior year.
- Budget revisions to update revenues to reflect actual enrollments and to update revenues and expenditures for new information.
- Other budget revisions which are routine in nature, including adjustments to program 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:

- The restricted and assigned balance will be brought forward into the 2014-15 budget.
- Budgeted revenue over expense was anticipated to be \$-1.7 million, however actual revenue to expense was \$916 thousand due to the restricted and assigned balances into 2014-15 and unspent funds.

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 all groups on employee compensation for 2013-2014. 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

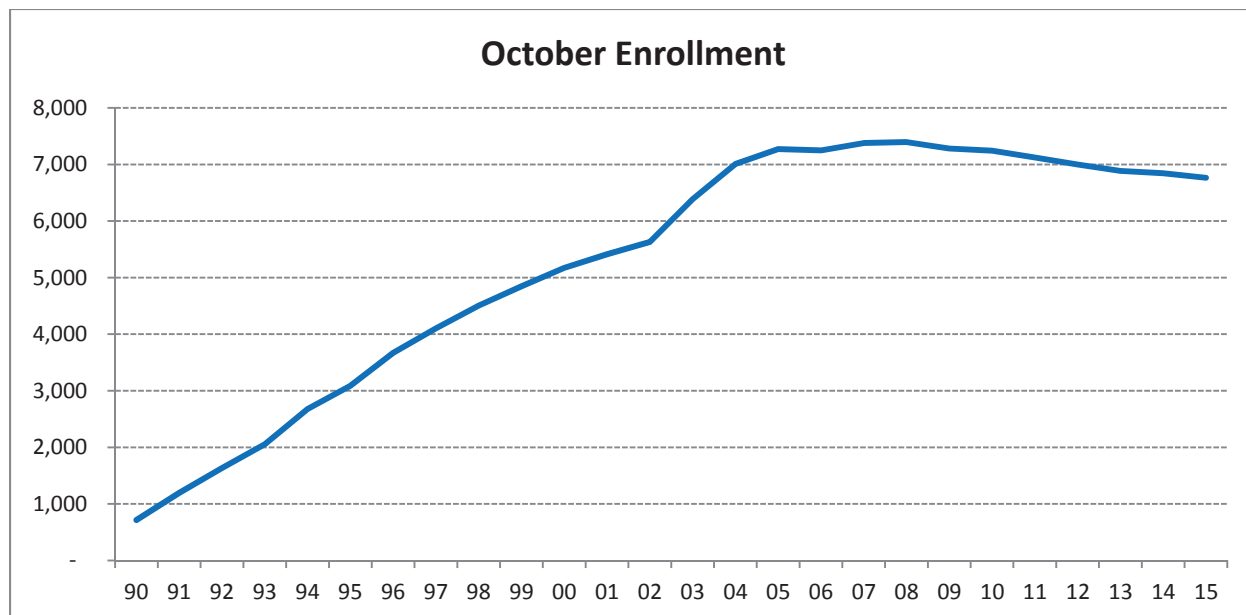
The District continues to maintain a solid financial condition. It has made many difficult decisions as a result of state budget reductions and declining enrollment. These decisions allowed the district to reduce expenditures and resulted in a better than projected ending fund balance.

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 with the resulting staffing increase when enrollment increases, yet revenues lag one-year behind. The Local Control Funding Formula Gap or Unexpected Needs was established to account for volatility in state funding and unanticipated requirements.

The District's 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

During the 1990's the District experienced tremendous student growth, however over the past ten years enrollment has remained relatively flat as displayed in the chart below. The October 2014 enrollment was 6,765, a decline of 79 students or 1.2% from the prior year.



Even with the recent leveling of enrollment, residential development is returning and in the future there are approximately 15 developments composing of approximately 1,700 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 a school site and will expand an existing elementary school. These projects will be funded through a combination of state reimbursement, developer fees and local matching funds.

To better serve our students and community, during 2014-15 the Creekview Ranch Middle School became a Kindergarten through 8th grade school with students from the Dry Creek Elementary School attendance area.

Capital Assets

To house growth in enrollment the District has undertaken an aggressive building program including construction of nine new schools since 1990 and two major additions. Each of these schools and additions were financed with state reimbursements, developer fees and local funds.

As shown in the table on the next page, by the end of 2014 the District had invested \$153.3 million in a range of capital assets, including land, site improvements, school buildings, administrative buildings, and equipment. Depreciation expense for the year was \$4.9 million.

Management's Discussion and Analysis

Dry Creek J.E.S.D.							
Capital Assets (net of depreciation)							
		June 30, 2014		June 30, 2013		June 30, 2012	
Land	\$	19,784,706	\$	19,758,808	\$	19,758,808	
Site Improvements		8,451,427		9,205,587		10,067,428	
Buildings		120,593,164		123,750,781		126,416,054	
Equipment		2,308,697		2,860,780		2,966,839	
Work-In-Progress		2,220,988		2,277,964		3,018,113	
Total	\$	153,358,982	\$	157,853,920	\$	162,227,242	

District Indebtedness

As of June 30, 2014 the District has \$71.3 million of long-term liabilities. This is a decrease of almost \$1.9 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 80% of the District's long-term debt. Additional details regarding indebtedness may be found in the Notes section of the financial statements.

Dry Creek J.E.S.D.					
Long-Term Liabilities					
		June 30, 2014		June 30, 2013	June 30, 2012
General Obligation Bonds	\$	45,289,236	\$	46,496,660	\$ 47,618,606
Mello Roos Bonds		12,124,952		13,453,032	14,828,280
Accreted Interest		13,199,623		12,567,643	11,975,310
Unamortized Discount		604,788		615,898	1,180,732
Capitalized Obligations		42,381		19,706	0
Compensated Absences		116,651		116,422	113,140
Total	\$	71,377,631	\$	73,269,361	\$ 75,716,068

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 89% of total General Fund revenues for 2013-14 were from state sources or formulas.
 - Proposition 30 was passed by the electorate in November 2012 and temporarily increased sales taxes through 2016 and income taxes through 2018. The ability of the state to maintain the level of education funding once these taxes expire is of concern.
 - The Local Control Funding Formula (LCFF) replaced Revenue Limits and most state categorical programs beginning in 2013-14 and is projected to be implemented over the next seven years.
- A last minute addition to the 2014-15 State Budget may limit school district assigned and unassigned balances should Proposition 2 be passed in November 2014.
- Residential development is returning within the District boundaries. At the time of this report four developments comprising approximately 330 units have broken ground. The District is well positioned to accommodate student growth as it has acquired a school site and will expand an existing elementary school.

Management's Discussion and Analysis

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Fiscal Services, 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 POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 28,052,694
Receivables	5,362,304
Stores inventory	1,016
Non-depreciable capital assets (Note 4)	22,005,694
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>131,353,288</u>
Total assets	<u>186,774,996</u>
LIABILITIES	
Accounts payable	2,823,125
Unearned revenue	91,083
Long-term liabilities (Note 5):	
Due within one year	2,726,628
Due after one year	<u>68,651,003</u>
Total liabilities	<u>74,291,839</u>
NET POSITION	
Net investment in capital assets	84,437,954
Restricted (Note 6)	17,277,323
Unrestricted	<u>10,767,880</u>
Total net position	<u>\$ 112,483,157</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Expenses					
Governmental activities:					
Instruction	\$ 33,806,771	\$ 1,698	\$ 5,722,286	1,176,724	\$ (26,906,063)
Instruction-related services:					
Supervision of instruction	1,046,738	-	109,591	-	(937,147)
Instructional library, media and technology	293,269	-	4,545	-	(288,724)
School site administration	3,354,681	-	9,127	-	(3,345,554)
Pupil services:					
Home-to-school transportation	847,025	-	-	-	(847,025)
Food services	20,074	-	-	-	(20,074)
All other pupil services	1,185,030	-	552,828	-	(632,202)
General administration:					
Data processing	168,601	-	3,792	-	(164,809)
All other general administration	2,705,927	3,084	120,870	-	(2,581,973)
Plant services	9,205,295	27,829	138,506	-	(9,038,960)
Ancillary services	133,335	-	-	-	(133,335)
Interest on long-term liabilities	3,051,918	-	-	-	(3,051,918)
Other outgo	<u>1,518,562</u>	<u>415,578</u>	<u>110,700</u>	<u>-</u>	<u>(992,284)</u>
Total governmental activities	<u>\$ 57,337,226</u>	<u>\$ 448,189</u>	<u>\$ 6,772,245</u>	<u>\$ 1,176,724</u>	<u>(48,940,068)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					11,303,670
Taxes levied for debt service					5,910,836
Federal and state aid not restricted to specific purposes					30,985,348
Interest and investment earnings					197,502
Miscellaneous					<u>704,785</u>
Total general revenues					<u>49,102,141</u>
Change in net position					162,073
Net position, July 1, 2013					<u>112,321,084</u>
Net position, June 30, 2014					<u>\$ 112,483,157</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 13,058,824	\$ 5,045,641	\$ 7,603,277	\$ 25,707,742
Cash in revolving fund	5,000	-	-	5,000
Cash with Fiscal Agent	-	-	2,339,952	2,339,952
Receivables	5,349,732	4,806	7,766	5,362,304
Stores inventory	<u>1,016</u>	<u>-</u>	<u>-</u>	<u>1,016</u>
Total assets	<u><u>\$ 18,414,572</u></u>	<u><u>\$ 5,050,447</u></u>	<u><u>\$ 9,950,995</u></u>	<u><u>\$ 33,416,014</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,978,300	\$ 130,571	\$ 835	\$ 2,109,706
Unearned revenue	<u>91,083</u>	<u>-</u>	<u>-</u>	<u>91,083</u>
Total liabilities	<u>2,069,383</u>	<u>130,571</u>	<u>835</u>	<u>2,200,789</u>
Fund balances:				
Nonspendable	6,016	-	-	6,016
Restricted	2,407,287	4,919,876	9,950,160	17,277,323
Assigned	3,533,370	-	-	3,533,370
Unassigned	<u>10,398,516</u>	<u>-</u>	<u>-</u>	<u>10,398,516</u>
Total fund balances	<u>16,345,189</u>	<u>4,919,876</u>	<u>9,950,160</u>	<u>31,215,225</u>
Total liabilities and fund balances	<u><u>\$ 18,414,572</u></u>	<u><u>\$ 5,050,447</u></u>	<u><u>\$ 9,950,995</u></u>	<u><u>\$ 33,416,014</u></u>

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

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

June 30, 2014

Total fund balances - Governmental Funds \$ 31,215,225

Amounts reported for governmental activities in the statement of net position 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 \$205,948,003 and the accumulated depreciation is \$52,589,021 (Note 4).

153,358,982

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, 2014 consisted of (Note 5):

General Obligation Bonds	\$ (45,289,236)
Mello-Roos Bonds	(12,124,952)
Accreted interest	(13,199,623)
Unamortized premiums	(604,788)
Capital leases	(42,381)
Compensated absences	<u>(116,651)</u>

(71,377,631)

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

(713,419)

Total net position - governmental activities

\$ 112,483,157

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	Capital Facilities Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local control funding formula sources:				
State apportionment	\$ 30,121,464	\$ -	500,000	\$ 30,621,464
Local sources	<u>10,571,504</u>	<u>-</u>	<u>-</u>	<u>10,571,504</u>
Total local control funding formula	<u>40,692,968</u>	<u>-</u>	<u>500,000</u>	<u>41,192,968</u>
Federal sources	2,095,571	-	-	2,095,571
Other state sources	3,215,044	-	\$ 2,434,226	5,649,270
Other local sources	<u>3,213,687</u>	<u>501,550</u>	<u>4,848,552</u>	<u>8,563,789</u>
Total revenues	<u>49,217,270</u>	<u>501,550</u>	<u>7,782,778</u>	<u>57,501,598</u>
Expenditures:				
Certificated salaries	26,808,143	-	-	26,808,143
Classified salaries	6,097,626	-	-	6,097,626
Employee benefits	8,012,363	-	-	8,012,363
Books and supplies	2,698,032	1,706	6,785	2,706,523
Contract services and operating expenditures	3,666,022	141,764	46,795	3,854,581
Capital outlay	113,030	342,108	339,504	794,642
Other outgo	886,582	-	-	886,582
Debt service:				
Principal retirement	12,288	-	2,535,504	2,547,792
Interest	<u>7,157</u>	<u>-</u>	<u>3,085,664</u>	<u>3,092,821</u>
Total expenditures	<u>48,301,243</u>	<u>485,578</u>	<u>6,014,252</u>	<u>54,801,073</u>
Excess of revenues over expenditures	<u>916,027</u>	<u>15,972</u>	<u>1,768,526</u>	<u>2,700,525</u>
Other financing sources (uses):				
Operating transfers in	103,000	1,606,945	737,416	2,447,361
Operating transfers out	(737,416)	-	(1,709,945)	(2,447,361)
Proceeds from the issuance of long-term liabilities	<u>34,963</u>	<u>-</u>	<u>-</u>	<u>34,963</u>
Total other financing sources (uses)	<u>(599,453)</u>	<u>1,606,945</u>	<u>(972,529)</u>	<u>34,963</u>
Net change in fund balances	316,574	1,622,917	795,997	2,735,488
Fund balances, July 1, 2013	<u>16,028,615</u>	<u>3,296,959</u>	<u>9,154,163</u>	<u>28,479,737</u>
Fund balances, June 30, 2014	<u>\$ 16,345,189</u>	<u>\$ 4,919,876</u>	<u>\$ 9,950,160</u>	<u>\$ 31,215,225</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

Net change in fund balances - Total Governmental Funds \$ 2,735,488

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 positions (Note 4).

\$ 607,805

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).

(5,027,669)

The entire proceeds from disposal of capital assets are reported as revenue in the governmental funds (Note 4).

(75,074)

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).

11,110

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 positions (Note 5).

2,547,792

Proceeds from debt are recognized as other financing sources in the governmental funds, but increases to long-term liabilities in the statement of net assets (Note 5).

(34,963)

Accreted interest is an expense that is not recorded in the governmental funds (Note 5).

(631,980)

Unmatured interest is an expense that is not recorded in the governmental funds.

29,793

In the statement of activities, expenses related to compensated absences is measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).

(229) (2,573,415)

Change in net position of governmental activities

\$ 162,073

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITIONS

AGENCY FUNDS

June 30, 2014

ASSETS

Cash on hand and in banks (Note 2)	<u>\$ 100,787</u>
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LIABILITIES

Due to student groups	<u>\$ 100,787</u>
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The accompanying notes are an integral
part of these financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dry Creek Joint Elementary School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. 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 functions as the agent of the Facilities District and did not receive 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 focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position 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 Position at the fund financial statement level.

The Statement of Net Position 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.

A - Major Funds

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 - Capital Facilities Fund:

The Capital Facilities Fund is used to account for resources used for the acquisition of capital facilities by the District.

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)

B - Other Funds

1 - 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.

2 - Capital Projects Funds:

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

3 - Debt Service Funds:

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

4 - 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.

Receivables

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

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 \$116,651 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for STRS and PERS employees, when the employee retires.

Unearned 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 unearned revenue until earned.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position 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 and stores inventory.

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 position as reported in the government-wide financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

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. There were no committed fund balances as of June 30, 2014.

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, 2014, 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.

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, 2014, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 positions 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.

New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. This Statement is effective for the District's financial period beginning June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 25,707,742	\$ -
Deposits:		
Cash in revolving fund	5,000	-
Cash on hand and in banks	-	100,787
Cash with Fiscal Agent	<u>2,339,952</u>	<u>-</u>
Total	<u>\$ 28,052,694</u>	<u>\$ 100,787</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, 2014, the Placer County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts was \$105,787 and the bank balance was \$106,756, all of which was insured.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

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, 2014.

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, 2014, 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, 2014, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District for goods and services are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund 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 2013-2014 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve Fund for the repair and replacement of digital classroom equipment.	\$ 737,416
Transfer from the County School Facilities Fund to the Capital Facilities Fund for reimbursement of state funding.	1,176,945
Transfer from the Special Reserve Fund to the General Fund for the purchase of school buses and computers.	103,000
Transfer from the Mello-Roos Fund to the Capital Facilities Fund for repayment of fees.	<u>430,000</u>
	<u>\$ 2,447,361</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deductions	Transfers	Balance June 30, 2014
Non-depreciable:					
Land	\$ 19,758,808	\$ 25,898	\$ -	\$ -	\$ 19,784,706
Work-in-process	2,277,964	-	-	(56,976)	2,220,988
Depreciable:					
Improvement of sites	19,659,557	19,566	-	56,976	19,736,099
Buildings	157,126,550	399,109	139,155	-	157,386,504
Equipment	<u>6,677,763</u>	<u>163,232</u>	<u>21,289</u>	<u>-</u>	<u>6,819,706</u>
Totals, at cost	<u>205,500,642</u>	<u>607,805</u>	<u>160,444</u>	<u>-</u>	<u>205,948,003</u>
Less accumulated depreciation:					
Improvement of sites	(10,453,970)	(830,702)	-	-	(11,284,672)
Buildings	(33,375,769)	(3,481,652)	(64,081)	-	(36,793,340)
Equipment	<u>(3,816,983)</u>	<u>(715,315)</u>	<u>(21,289)</u>	<u>-</u>	<u>(4,511,009)</u>
Total accumulated depreciation	<u>(47,646,722)</u>	<u>(5,027,669)</u>	<u>(85,370)</u>	<u>-</u>	<u>(52,589,021)</u>
Capital assets, net	<u>\$ 157,853,920</u>	<u>\$ (4,419,864)</u>	<u>\$ 75,074</u>	<u>\$ -</u>	<u>\$ 153,358,982</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 59,014
Supervision of instruction	4,473
Home-to-school transportation	137,211
Food services	1,068
All other general administration	10,260
Data processing	27,129
Plant services	<u>4,788,514</u>
Total depreciation expense	<u>\$ 5,027,669</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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>
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	473,589	1,106,411	1,580,000
2019	468,784	1,191,216	1,660,000
2020-2023	<u>1,809,284</u>	<u>5,695,716</u>	<u>7,505,000</u>
Totals	<u>\$ 4,217,214</u>	<u>\$ 10,832,786</u>	<u>\$ 15,050,000</u>

2007 General Obligation Refunding Bonds

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

2007 General Obligation Refunding Bonds (Continued)

The Bonds mature serially in varying amounts during the succeeding years through 2025, with interest rates ranging from 4.00% to 5.25%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 415,000	\$ 285,288	\$ 700,288
2016	445,000	268,088	713,088
2017	480,000	246,588	726,588
2018	525,000	220,206	745,206
2019	565,000	194,419	759,419
2020-2024	3,455,000	565,072	4,020,072
2025	<u>835,000</u>	<u>18,266</u>	<u>853,266</u>
Totals	<u>\$ 6,720,000</u>	<u>\$ 1,797,927</u>	<u>\$ 8,517,927</u>

2008 General Obligation Bonds

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	670,000	841,225	1,511,225
2019	785,000	812,125	1,597,125
2020-2024	6,095,000	3,416,913	9,511,913
2025-2029	11,190,000	1,435,188	12,625,188
2030-2033	<u>2,973,345</u>	<u>10,416,655</u>	<u>13,390,000</u>
Totals	<u>\$ 23,108,345</u>	<u>\$ 19,572,225</u>	<u>\$ 42,680,570</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

2009 General Obligation Bonds

On May 20, 2009, the District issued General Obligation Bonds in the amount of \$11,558,677 to fully prepay the 2007 Certificates of Participation and to fund the modernization of existing schools and construct new schools. The General Obligation Bonds are authorized pursuant to the special election of the registered voters held on February 5, 2008, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District.

The Bonds mature serially in varying amounts during the succeeding years through 2047, with interest rates varying from 2.00% to 9.55%. Future payments are scheduled as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 139,782	\$ 139,782
2016	10,000	139,632	149,632
2017	20,000	139,157	159,157
2018	30,000	138,306	168,306
2019	40,000	137,030	177,030
2020-2024	405,000	647,307	1,052,307
2025-2029	905,000	511,447	1,416,447
2030-2034	2,196,168	2,371,883	4,568,051
2035-2039	3,234,637	15,385,363	18,620,000
2040-2044	3,056,210	21,858,790	24,915,000
2045-2047	<u>1,346,662</u>	<u>18,308,338</u>	<u>19,655,000</u>
Totals	<u>\$ 11,243,677</u>	<u>\$ 59,777,035</u>	<u>\$ 71,020,712</u>

Series 1996 Special Tax Bonds

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 1996 Special Tax Bonds (Continued)

The Bonds mature serially in varying amounts during the succeeding years through 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>
2015	\$ 185,000	\$ 11,570	\$ 196,570
2016	<u>130,000</u>	<u>3,380</u>	<u>133,380</u>
Totals	<u>\$ 315,000</u>	<u>\$ 14,950</u>	<u>\$ 329,950</u>

Series 1996B Special Tax Bonds

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 345,799</u>	<u>\$ 709,201</u>	<u>\$ 1,055,000</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 1999 Special Tax Bonds

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

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 490,000	\$ 41,218	\$ 531,218
2016	535,000	14,178	549,178
2017	45,740	74,260	120,000
2018	156,670	278,330	435,000
2019	69,764	135,236	205,000
2020	<u>36,979</u>	<u>78,021</u>	<u>115,000</u>
Totals	<u>\$ 1,334,153</u>	<u>\$ 621,243</u>	<u>\$ 1,955,396</u>

Series 2003 Special Tax Bonds

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Series 2003 Special Tax Bonds (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 395,000	\$ 334,791	\$ 729,791
2016	425,000	318,391	743,391
2017	465,000	300,010	765,010
2018	505,000	278,135	783,135
2019	590,000	251,391	841,391
2020-2024	4,005,000	727,878	4,732,878
2025-2026	<u>1,020,000</u>	<u>37,200</u>	<u>1,057,200</u>
Totals	<u>\$ 7,405,000</u>	<u>\$ 2,247,796</u>	<u>\$ 9,652,796</u>

Series 2005 Special Tax Bonds

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 90,000	\$ 118,588	\$ 208,588
2016	100,000	114,900	214,900
2017	115,000	110,600	225,600
2018	125,000	105,800	230,800
2019	135,000	100,516	235,516
2020-2024	875,000	400,268	1,275,268
2025-2029	<u>1,285,000</u>	<u>150,697</u>	<u>1,435,697</u>
Totals	<u>\$ 2,725,000</u>	<u>\$ 1,101,369</u>	<u>\$ 3,826,369</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds	\$ 46,496,660	\$ -	\$ 1,207,424	\$ 45,289,236	\$ 1,283,366
Mello-Roos Bonds	13,453,032	-	1,328,080	12,124,952	1,297,163
Accreted interest	12,567,643	631,980	-	13,199,623	-
Unamortized premium	615,898	-	11,110	604,788	11,110
Capital leases	19,706	34,963	12,288	42,381	18,338
Compensated absences	<u>116,422</u>	<u>116,651</u>	<u>116,422</u>	<u>116,651</u>	<u>116,651</u>
	<u>\$ 73,269,361</u>	<u>\$ 783,594</u>	<u>\$ 2,675,324</u>	<u>\$ 71,377,631</u>	<u>\$ 2,726,628</u>

Payments 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 relating to the capital lease payments are made from the General Fund. Payments on the compensated absences are made from the fund for which the related employee worked.

6. NET POSITION / FUND BALANCES

The restricted net position as of June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues	\$ 2,407,287
Restricted for special revenue programs	1,015,151
Restricted for debt service	5,314,203
Restricted for capital projects	<u>8,540,682</u>
	<u>\$ 17,277,323</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 5,000	\$ -	\$ -	\$ 5,000
Stores inventory	<u>1,016</u>	<u>-</u>	<u>-</u>	<u>1,016</u>
Subtotal nonspendable	<u>6,016</u>	<u>-</u>	<u>-</u>	<u>6,016</u>
Restricted:				
Unspent categorical revenues	2,407,287	-	-	2,407,287
Special revenues	-	-	3,603,844	3,603,844
Capital projects	-	4,919,876	1,032,113	5,951,989
Debt service	<u>-</u>	<u>-</u>	<u>5,314,203</u>	<u>5,314,203</u>
Subtotal restricted	<u>2,407,287</u>	<u>4,919,876</u>	<u>9,950,160</u>	<u>17,277,323</u>
Assigned:				
Lottery program expenditures	984,829	-	-	984,829
Site program carryover	532,983	-	-	532,983
Furniture and equipment	1,776,000	-	-	1,776,000
Other board assignments	<u>239,558</u>	<u>-</u>	<u>-</u>	<u>239,558</u>
Subtotal assigned	<u>3,533,370</u>	<u>-</u>	<u>-</u>	<u>3,533,370</u>
Unassigned:				
Designated for economic uncertainty	8,257,237	-	-	8,257,237
Undesignated	<u>2,141,279</u>	<u>-</u>	<u>-</u>	<u>2,141,279</u>
Subtotal unassigned	<u>10,398,516</u>	<u>-</u>	<u>-</u>	<u>10,398,516</u>
Total fund balances	<u>\$ 16,345,189</u>	<u>\$ 4,919,876</u>	<u>\$ 9,950,160</u>	<u>\$ 31,215,225</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 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 2013-2014 was 11.442% 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, 2012, 2013 and 2014 were \$560,065, \$573,354 and \$607,226, 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 2013-2014 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, 2012, 2013 and 2014 were \$2,097,296, \$2,055,960 and \$2,178,636, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The following is a summary of financial information for SIG at June 30, 2014.

Total assets	\$ 86,315,315
Total liabilities	\$ 31,253,582
Total net position	\$ 55,061,733
Total revenues	\$ 82,124,047
Total expenses	\$ 80,784,567
Change in net position	\$ 1,339,480

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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The following is a summary of the financial information for School Project for Utility Rate Reduction at June 30, 2013 (the latest information available):

Total assets	\$ 11,359,666
Total liabilities	\$ 5,324,009
Net position	\$ 6,035,657
Total revenues	\$ 30,256,938
Total expenses	\$ 30,640,698
Change in net position	\$ (383,760)

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.

REQUIRED SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Local control funding formula:				
State apportionment	\$ 24,435,823	\$ 30,748,796	\$ 30,121,464	\$ (627,332)
Local sources	<u>10,103,938</u>	<u>9,889,831</u>	<u>10,571,504</u>	<u>681,673</u>
Total local control funding formula	<u>34,539,761</u>	<u>40,638,627</u>	<u>40,692,968</u>	<u>54,341</u>
Federal sources	2,064,199	2,364,000	2,095,571	(268,429)
Other state sources	7,426,968	3,225,971	3,215,044	(10,927)
Other local sources	<u>2,835,394</u>	<u>3,131,763</u>	<u>3,213,687</u>	<u>81,924</u>
Total revenues	<u>46,866,322</u>	<u>49,360,361</u>	<u>49,217,270</u>	<u>(143,091)</u>
Expenditures:				
Certificated salaries	25,766,209	27,135,940	26,808,143	327,797
Classified salaries	5,965,974	6,159,084	6,097,626	61,458
Employee benefits	7,917,719	8,066,345	8,012,363	53,982
Books and supplies	2,478,053	3,588,360	2,698,032	890,328
Contract services and operating expenditures	4,621,072	4,967,049	3,666,022	1,301,027
Capital outlay	221,819	235,232	113,030	122,202
Other outgo	859,970	898,722	886,582	12,140
Debt Service:				
Principal retirement	1,457	12,988	12,288	700
Interest	<u>3,087</u>	<u>9,212</u>	<u>7,157</u>	<u>2,055</u>
Total expenditures	<u>47,835,360</u>	<u>51,072,932</u>	<u>48,301,243</u>	<u>2,771,689</u>
(Deficiency) excess of revenues (under) over expenditures	(969,038)	(1,712,571)	916,027	2,628,598
Other financing sources (uses):				
Operating transfers in	20,000	108,000	103,000	5,000
Operating transfers out	(176,416)	(737,416)	(737,416)	-
Proceeds from the issuance of long-term liabilities	<u>-</u>	<u>34,964</u>	<u>34,963</u>	<u>(1)</u>
Total other financing sources (uses)	<u>(156,416)</u>	<u>(594,452)</u>	<u>(599,453)</u>	<u>4,999</u>
Net change in fund balance	(1,125,454)	(2,307,023)	316,574	2,633,597
Fund balance, July 1, 2013	<u>16,028,615</u>	<u>16,028,615</u>	<u>16,028,615</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 14,903,161</u>	<u>\$ 13,721,592</u>	<u>\$ 16,345,189</u>	<u>\$ 2,633,597</u>

See independent auditor's report on required supplementary information.

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, 2014

	<u>Deferred Maintenance Fund</u>	<u>General Obligation Bond Building Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Mello-Roos Fund</u>	<u>Total</u>
ASSETS							
Cash in County Treasury	\$ 1,014,156	\$ 2,586,241	\$ -	\$ 1,031,872	\$ 2,971,008	\$ -	\$ 7,603,277
Cash with Fiscal Agent	-	-	-	-	-	2,339,952	2,339,952
Receivables	<u>995</u>	<u>2,452</u>	<u>-</u>	<u>1,076</u>	<u>2,710</u>	<u>533</u>	<u>7,766</u>
Total assets	<u>\$ 1,015,151</u>	<u>\$ 2,588,693</u>	<u>\$ -</u>	<u>\$ 1,032,948</u>	<u>\$ 2,973,718</u>	<u>\$ 2,340,485</u>	<u>\$ 9,950,995</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 835</u>
Fund balances:							
Restricted	<u>1,015,151</u>	<u>2,588,693</u>	<u>-</u>	<u>1,032,113</u>	<u>2,973,718</u>	<u>2,340,485</u>	<u>9,950,160</u>
Total liabilities and fund balances	<u>\$ 1,015,151</u>	<u>\$ 2,588,693</u>	<u>\$ -</u>	<u>\$ 1,032,948</u>	<u>\$ 2,973,718</u>	<u>\$ 2,340,485</u>	<u>\$ 9,950,995</u>

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, 2014

	<u>Deferred Maintenance Fund</u>	<u>General Obligation Bond Building Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Mello-Roos Fund</u>	<u>Total</u>
Revenues							
Local control funding formula:							
State apportionment	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000
Other state sources	-	-	1,176,724	130,000	1,127,502	-	2,434,226
Other local sources	<u>9,683</u>	<u>30,080</u>	<u>221</u>	<u>9,799</u>	<u>2,359,746</u>	<u>2,439,023</u>	<u>4,848,552</u>
Total revenues	<u>509,683</u>	<u>30,080</u>	<u>1,176,945</u>	<u>139,799</u>	<u>3,487,248</u>	<u>2,439,023</u>	<u>7,282,778</u>
Expenditures:							
Books and supplies	-	6,785	-	-	-	-	6,785
Contract services and operating expenditures	39,564	5,101	-	2,130	-	-	46,795
Capital outlay	299,319	40,185	-	-	-	-	339,504
Debt service:							
Principal retirement	-	-	-	-	1,207,424	1,328,080	2,535,504
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,150,349</u>	<u>935,315</u>	<u>3,085,664</u>
Total expenditures	<u>338,883</u>	<u>52,071</u>	<u>-</u>	<u>2,130</u>	<u>3,357,773</u>	<u>2,263,395</u>	<u>6,014,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>170,800</u>	<u>(21,991)</u>	<u>1,176,945</u>	<u>137,669</u>	<u>129,475</u>	<u>175,628</u>	<u>1,268,526</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	737,416	-	-	737,416
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,176,945)</u>	<u>(103,000)</u>	<u>-</u>	<u>(430,000)</u>	<u>(1,709,945)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,176,945)</u>	<u>634,416</u>	<u>-</u>	<u>(430,000)</u>	<u>(972,529)</u>
Net change in fund balances	170,800	(21,991)	-	772,085	129,475	(254,372)	295,997
Fund balances, July 1, 2013	<u>844,351</u>	<u>2,610,684</u>	<u>-</u>	<u>260,028</u>	<u>2,844,243</u>	<u>2,594,857</u>	<u>9,154,163</u>
Fund balances, June 30, 2014	<u>\$ 1,015,151</u>	<u>\$ 2,588,693</u>	<u>\$ -</u>	<u>\$ 1,032,113</u>	<u>\$ 2,973,718</u>	<u>\$ 2,340,485</u>	<u>\$ 9,450,160</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

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

ALL AGENCY FUNDS

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>Dry Creek School</u>				
Assets:				
Cash on hand and in banks	\$ 305	\$ 32	\$ 48	\$ 289
Liabilities:				
Due to student groups	\$ 305	\$ 32	\$ 48	\$ 289
<u>Heritage Oak School</u>				
Assets:				
Cash on hand and in banks	\$ 901	\$ 909	\$ 710	\$ 1,100
Liabilities:				
Due to student groups	\$ 901	\$ 909	\$ 710	\$ 1,100
<u>Antelope Meadows School</u>				
Assets:				
Cash on hand and in banks	\$ 1,143	\$ -	\$ 84	\$ 1,059
Liabilities:				
Due to student groups	\$ 1,143	\$ -	\$ 84	\$ 1,059
<u>Antelope Crossing School</u>				
Assets:				
Cash on hand and in banks	\$ 27,092	\$ 167,624	\$ 154,684	\$ 40,032
Liabilities:				
Due to student groups	\$ 27,092	\$ 167,624	\$ 154,684	\$ 40,032
<u>Quail Glen School</u>				
Assets:				
Cash on hand and in banks	\$ 1,527	\$ 32	\$ 631	\$ 928
Liabilities:				
Due to student groups	\$ 1,527	\$ 32	\$ 631	\$ 928

(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, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<u>Olive Grove School</u>				
Assets:				
Cash on hand and in banks	\$ <u>121</u>	\$ <u>1,381</u>	\$ <u>829</u>	\$ <u>673</u>
Liabilities:				
Due to student groups	\$ <u>121</u>	\$ <u>1,381</u>	\$ <u>829</u>	\$ <u>673</u>
<u>Coyote Ridge School</u>				
Assets:				
Cash on hand and in bank	\$ <u>807</u>	\$ <u>895</u>	\$ <u>614</u>	\$ <u>1,088</u>
Liabilities:				
Due to student groups	\$ <u>807</u>	\$ <u>895</u>	\$ <u>614</u>	\$ <u>1,088</u>
<u>Silverado Middle School</u>				
Assets:				
Cash on hand and in bank	\$ <u>32,928</u>	\$ <u>179,582</u>	\$ <u>178,503</u>	\$ <u>34,007</u>
Liabilities:				
Due to student groups	\$ <u>32,928</u>	\$ <u>179,582</u>	\$ <u>178,503</u>	\$ <u>34,007</u>
<u>Barrett Ranch School</u>				
Assets:				
Cash on hand and in bank	\$ <u>1,151</u>	\$ <u>715</u>	\$ <u>-</u>	\$ <u>1,866</u>
Liabilities:				
Due to student groups	\$ <u>1,151</u>	\$ <u>715</u>	\$ <u>-</u>	\$ <u>1,866</u>
<u>Creekview Ranch Middle School</u>				
Assets:				
Cash on hand and in bank	\$ <u>14,023</u>	\$ <u>87,949</u>	\$ <u>82,227</u>	\$ <u>19,745</u>
Liabilities:				
Due to student groups	\$ <u>14,023</u>	\$ <u>87,949</u>	\$ <u>82,227</u>	\$ <u>19,745</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, 2014

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>79,998</u>	\$ <u>439,119</u>	\$ <u>418,330</u>	\$ <u>100,787</u>
Liabilities:				
Due to student groups	\$ <u>79,998</u>	\$ <u>439,119</u>	\$ <u>418,330</u>	\$ <u>100,787</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

ORGANIZATION

June 30, 2014

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, 2014, the District is operating seven elementary schools and three middle schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Diane Howe	President	December 2014
Jeff Randall	Clerk	December 2016
Jeffery Holland	Member	December 2014
Scott Otsuka	Member	December 2016
Tracy Pittman	Member	December 2014

ADMINISTRATION

Bradley Tooker
Superintendent

James Ferguson
Assistant Superintendent, Administrative Services

Roger Van Putten
Chief Business Officer

Evonne Rogers
Assistant Superintendent, Educational Services

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Transitional Kindergarten through Third	2,684	2,687
Fourth through Sixth	2,207	2,209
Seventh and Eighth	1,694	1,691
Special Education	<u>8</u>	<u>8</u>
Totals	<u><u>6,593</u></u>	<u><u>6,595</u></u>

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2014

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	36,900	180	In Compliance
Grade 1	50,400	49,000	51,050	180	In Compliance
Grade 2	50,400	49,000	51,050	180	In Compliance
Grade 3	50,400	49,000	51,050	180	In Compliance
Grade 4	54,000	52,500	54,560	180	In Compliance
Grade 5	54,000	52,500	54,560	180	In Compliance
Grade 6	54,000	52,500	55,925	180	In Compliance
Grade 7	54,000	52,500	55,925	180	In Compliance
Grade 8	54,000	52,500	55,925	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, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<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	\$ 958,105
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	26,707
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	13682	121,445
84.027	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	14468	<u>33,875</u>
	Subtotal Special Education Cluster		<u>1,140,132</u>
	Title III Program:		
84.365	NCLB (ESEA) : Title III, Immigrant Education Program	15146	3,131
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	<u>91,885</u>
	Subtotal Title III Program		<u>95,016</u>
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	644,641
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	2,655
84.367	NCLB: Title II, Part A, Teacher Quality	14341	<u>118,040</u>
	Total U.S. Department of Education		<u>2,000,484</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>68,383</u>
	Total Federal Programs		<u>\$ 2,068,867</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, 2014

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, 2014

(UNAUDITED)

	(Budget) 2015	2014	2013	2012
<u>General Fund</u>				
Revenues and other financing sources	\$ 51,373,642	\$ 49,355,233	\$ 46,557,834	\$ 49,458,909
Expenditures	53,024,581	48,301,243	45,388,384	47,343,857
Other uses and transfers out	<u>1,619,203</u>	<u>737,416</u>	<u>114,819</u>	<u></u>
Total outgo	<u>54,643,784</u>	<u>49,038,659</u>	<u>45,503,203</u>	<u>47,343,857</u>
Change in fund balance	\$ <u>(3,270,142)</u>	\$ <u>316,574</u>	\$ <u>1,054,631</u>	\$ <u>2,115,052</u>
Ending fund balance	\$ <u>13,075,047</u>	\$ <u>16,345,189</u>	\$ <u>16,028,615</u>	\$ <u>14,973,984</u>
Available reserves	\$ <u>10,888,620</u>	\$ <u>10,398,516</u>	\$ <u>12,741,692</u>	\$ <u>12,070,110</u>
Designated for economic uncertainties	\$ <u>6,409,525</u>	\$ <u>8,257,237</u>	\$ <u>5,063,706</u>	\$ <u>6,532,534</u>
Undesignated fund balance	\$ <u>4,479,095</u>	\$ <u>2,141,279</u>	\$ <u>7,677,986</u>	\$ <u>5,537,576</u>
Available reserves as per- centages of total outgo	<u>19.9%</u>	<u>21.2%</u>	<u>28.0%</u>	<u>25.5%</u>
Total long-term liabilities	\$ <u>68,651,003</u>	\$ <u>71,377,631</u>	\$ <u>73,269,361</u>	\$ <u>75,716,068</u>
Average daily attendance at P-2	<u>6.503</u>	<u>6.593</u>	<u>6.683</u>	<u>6.812</u>

The General Fund fund balance has increased by \$3,486,257 over the past three years. The District projects a decrease of \$3,270,142 for the year ending June 30, 2015. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. The District has met this requirement.

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating deficit during the year ending June 30, 2015.

Total long-term liabilities have decreased by \$4,338,437 over the past two years.

Average daily attendance has decreased by 219 over the past two years and is anticipated to decrease by 90 during the year ending June 30, 2015.

See accompanying notes to
supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

<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, 2014.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 2,095,571
Less: Medi-Cal Billing Option funds unspent	93.778	<u>(26,704)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 2,068,867</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 2014-2015 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, 2014, the District did not adopt this program.

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

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

Report on Compliance with State Laws and Regulations

We have audited Dry Creek Joint Elementary School District's compliance 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, 2014.

<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	10	Yes
Instructional Materials	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	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	No, see below
After school	5	No, see below
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	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
Charter School Facility Grant Program	1	No, see below

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

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

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform steps 2a through d.

The District does not have any Juvenile Court Schools, therefore, we did not perform any procedures related to Juvenile Court Schools.

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.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations, as listed above of Dry Creek Joint Elementary School District. 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 on compliance with state laws and regulations. However, our audit does not provide a legal determination of Dry Creek Joint Elementary School District's compliance.

Opinion with State Laws and Regulations

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, 2014. 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.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
October 23, 2014

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dry Creek Joint Elementary School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Dry Creek Joint Elementary School District's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dry Creek Joint Elementary School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of Dry Creek Joint Elementary School District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
October 23, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited Dry Creek Joint Elementary School District's compliance with the types of compliance requirements described in the *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, 2014. Dry Creek Joint Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dry Creek Joint Elementary School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dry Creek Joint Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Dry Creek Joint Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Dry Creek Joint Elementary School District complied, in all material respects, with the types of 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, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dry Creek Joint Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
October 23, 2014

FINDINGS AND RECOMMENDATIONS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

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: Unmodified

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

	_____ Yes	<u> X </u> No
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Identification of major programs:

_____ CFDA Number(s)	_____ Name of Federal Program or Cluster
84.027, 84.173, 84.027A 84.010	Special Education Cluster NCLB: Title I, Part A

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

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

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unmodified

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

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, 2014

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, 2014

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, 2014

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