

**DRY CREEK JOINT ELEMENTARY
SCHOOL DISTRICT**

**MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

June 30, 2015

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
Roseville, California

MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Dry Creek Joint Elementary School District (the "District") Measure E General Obligation Bond funds for the year ended June 30, 2015.

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

Our audit was limited to the objectives listed on page 6 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure E General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Dry Creek Joint Elementary School District's compliance with those requirements.

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

The results of our tests indicated that, in all significant respects, Dry Creek Joint Elementary School District expended Measure E General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 13, 2015

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

LEGISLATIVE HISTORY

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

Education Code Section 15278 provides additional accountability measures:

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT MEASURE E GENERAL OBLIGATION BONDS

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

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

Antelope Crossing Middle School

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

Antelope Meadows School

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

Barrett Ranch School

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

(Continued)

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

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

Coyote Ridge School

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

Creekview Ranch Middle School

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

Dry Creek School

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

Future Elementary School

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

Heritage Oak School

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

Olive Grove School

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

Quail Glen School

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

(Continued)

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

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

Silverado Middle School

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

All School Sites

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

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

- Remove and dispose of, or otherwise remediate, hazardous materials, e.g. asbestos, lead, etc., where necessary.
- Address unforeseen conditions revealed by construction/modernization (e.g., plumbing or gas line breaks, dry rot, seismic, structural, etc.).
- Other improvements required to comply with existing building codes, including the Field Act, and access requirements of the Americans with Disabilities Act.
- Furnishing and equipping of newly constructed classrooms and facilities.
- Necessary site preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, drainage, utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property.
- Rent or construct storage facilities and other space on an interim basis, as needed to accommodate construction materials, equipment, and personnel, and interim classrooms (including relocatables) for students and school functions or other storage for classroom materials displaced during construction.
- Acquisition of any of the facilities on the Bond Project List through temporary lease or lease-purchase arrangements, or execute purchase option under a lease for any of these authorized facilities.
- For any project involving rehabilitation or renovation of a building or the major portion of the building, the District shall be authorized to proceed with new replacement construction instead, if the Board of Trustees determines that replacement and new construction is more economically practical than rehabilitation and renovation, considering the building's age, condition, expected remaining life, and other relevant factors.
- All other costs incidental to and necessary for completion of the foregoing.

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

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

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

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

On May 30, 2008, the District issued General Obligation Bonds in the amount of \$24,998,345 to fund the modernization of existing schools and construct new schools and classrooms. Repayment of the bonds is made from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds mature serially in varying amounts during the succeeding years through 2033, with interest rates varying from 3.00% to 8.00%.

On May 20, 2009, the District issued General Obligation Bonds in the amount of \$11,558,677 to fully prepay the 2007 Certificates of Participation and to fund the modernization of existing schools and construct new schools. Repayment of the bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Bonds mature serially in carrying amounts during the succeeding years through 2047, with interest rates varying from 2.00% to 9.55%.

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

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure E General Obligation Bond funds for the year ended June 30, 2015 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure E General Obligation Bond project expenditures for the year ended June 30, 2015 (the "List"). A total of 14 transactions were identified, representing \$17,204 in expenditures from July 1, 2014 through June 30, 2015.

METHODOLOGY

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2015:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed test to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the List.
- Reconciled the list to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2015, presented as the Building Fund.
- Selected a sample of 3 expenditures totaling \$4,961, detailed at Attachment I. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 21% of the number of expenditures and 28% of the total expenditure value. Verified that funds were used for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities and that funds were not spent for salaries or other administrative expenses.

CONCLUSIONS

The results of our tests indicated that, in all significant respects, Dry Creek Joint Elementary School District expended Measure E General Obligation Bond funds for the year ended June 30, 2015 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF SELECTED MEASURE E BOND EXPENDITURES
For the Fiscal Year Ended June 30, 2015

<u>Date</u>	<u>Description</u>	<u>Amount</u>
8/08/2014	SMS/AM Cabinetry	425
8/22/2014	Data Cabling Project	1,374
6/03/2015	SMS Digital Classroom Cabling	<u>3,162</u>
		<u>\$ 4,961</u>
