DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

Roseville, California

FINANCIAL STATEMENTS

June 30, 2015

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015
(Continued)

CONTENTS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

CONTENTS

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2015, 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.

(Continued)

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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 7 and 8, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* on pages 4 to 11 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 51 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 supplementary 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.

(Continued)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 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
November 13, 2015

9707 Cook Riolo Road, Roseville, CA 95747
(916) 770-8800
www.drycreek.k12.ca.us

Management's Discussion and Analysis

Introduction
The Management's Discussion and Analysis section of Dry Creek Joint Elementary School District's ("the District") audit report is District management's view of it's financial condition and provides an opportunity to discuss important fiscal issues with the Board of Trustees and the public. This discussion and analysis is required and makes the reporting of District's finances similar to that of private business.

Dry Creek Joint Elementary School District
The District began in 1876 in a one room schoolhouse and now consists of nine award winning, state-of-the-art elementary and middle school campuses serving over 6,750 students. The District serves residents of the Dry Creek Community in Placer County, the City of Roseville, and the Antelope Community in the Sacramento County.

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 enrollment for the current and past two years were higher than originally projected.
- The District refinanced Mello Roos bonds which will result in a decrease of $448 thousand in debt service payments.
- Strong reserve levels were maintained in the 2014-15 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:
- 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 report 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, the Capital Facilities Fund and the Debt Service Fund for Mello-Roos bonds.

Change in Accounting Principle
The District implemented accounting principle changes during 2014-2015 in accordance with the Governmental Accounting Standards Board (GASB). Implementation of GASB statement No. 68 resulted in a cumulative effect of $-47.38 million because of the recognition of the net pension liability and deferred outflows of resources. Additional information on the new accounting pronouncements may be found in accompanying notes to the financial statements.

Statement of Net Position
The District's net position decreased to $62.3 million during 2014-15 as shown in the table below. Cash and investments increased by $5.9 million primarily due to the elimination of state apportionment deferrals. Capital assets, net of depreciation, decreased by $5.9 million primarily due to accumulated depreciation growing at a faster rate than asset acquisition and improvements. Long-term liabilities increased by $39.5 million primarily due to the recognition of pension liabilities in accordance with GASB statement No. 68.

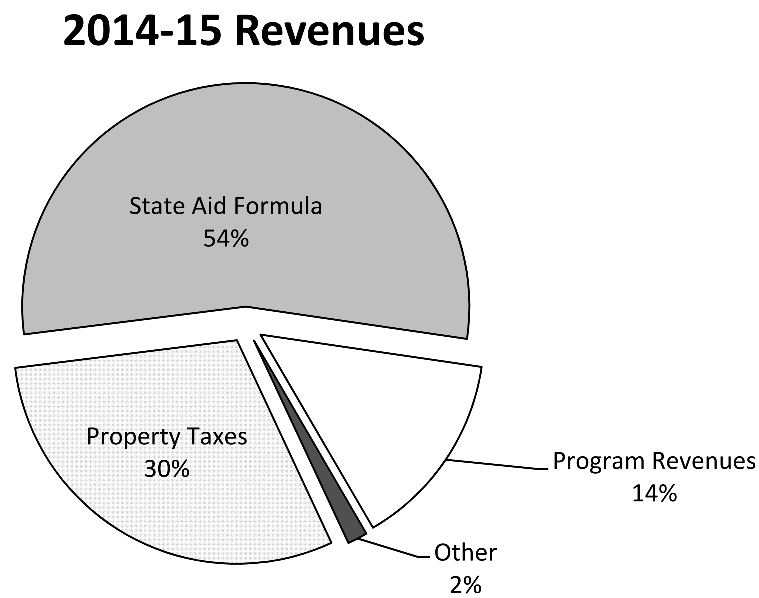
Statement of Net Position	2014-15	2013-14	2012-13	% Change
Cash & Investments	$ 33,965,683	$ 28,052,694	$ 23,779,487	21%
Receivables	1,598,687	5,362,304	8,575,018	-70%
Prepaid Expenses	0	0	0	0%
Other Current	677	1,016	1,091	-33%
Capital Assets	147,445,260	153,358,982	157,853,920	-4%
Total Assets	183,010,307	186,774,996	190,209,516	-2%
Deferred Outflows of Resources	3,497,708	0	0	34977079900%
Other Liabilities	2,769,814	2,914,208	4,619,071	-5%
Long-Term Liabilities	110,900,188	71,377,631	73,269,361	55%
Total Liabilities	113,670,002	74,291,839	77,888,432	53%
Deferred Inflows of Resources	10,506,000	0	0	105059999900%
Total Net Position	$ 62,332,013	$ 112,483,157	$ 112,321,084	-45%

Statement of Activities
The District's total revenue was $61.7 million, an increase of $4.2 million or 7% from 2013-14. The largest changes include $2.5 million in State Aid Formula due to increased Local Control Funding Formula implementation and a $1.3 million increase in property taxes.

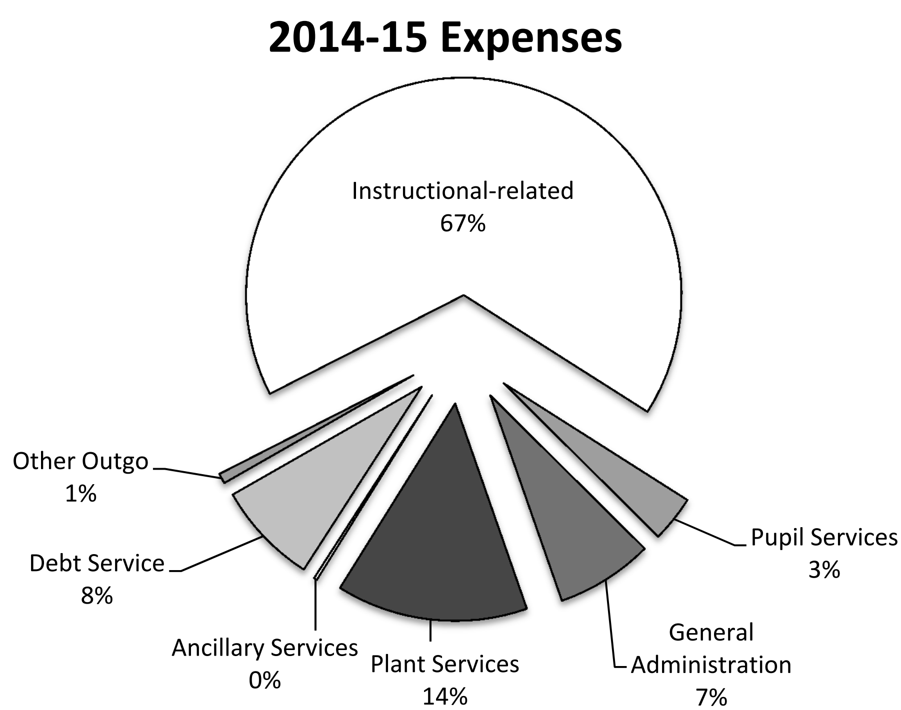
Total expenses increased by $7.1 million or 13%, for 2014-15, resulting in a decrease in net position of $2.7 million. The accounting principal change as discussed earlier and throughout the audit report, made a significant impact to the net position. The following table summarizes the change in net position.

Statement of Activities	2014-15	2013-14	2012-13	% Change
Revenues:				
General Revenues:				
Property Taxes	$ 18,502,101	$ 17,214,506	$ 16,454,597	7%
State Aid Formula	33,523,598	30,985,348	29,448,934	8%
Other	894,123	902,287	930,311	-1%
Program Revenues	8,828,212	8,397,158	6,086,763	5%
Total Revenues	61,748,034	57,499,299	52,920,605	7%
Expenses:				
Instructional-related	42,910,535	38,501,459	35,587,092	11%
Pupil Services	2,211,378	2,052,129	2,040,270	8%
General Administration	4,655,828	2,874,528	2,541,947	62%
Plant Services	9,171,865	9,205,295	9,142,613	0%
Ancillary Services	151,575	133,335	140,402	14%
Debt Service	4,924,560	3,051,918	3,172,871	61%
Other Outgo	486,900	1,518,562	1,047,611	-68%
Total Expense	64,512,641	57,337,226	53,672,806	13%
Change in Net Position	(2,764,607)	162,073	(752,201)	
Net Position, July 1	112,483,157	112,321,084	114,316,278	
Restatement: Change in Accounting Principle	(47,386,537)	0	(1,242,993)	
Net Position, July 1, Restated	65,096,620	112,321,084	113,073,285	
Net Position, June 30	$ 62,332,013	$ 112,483,157	$ 112,321,084	

As can be seen in the graph on the next page state aid formula and property taxes accounted for 84% of the District's revenue. An additional 14% came from state and federal aid for specific programs, and the remaining 2% of revenues are from miscellaneous sources.



The total cost of programs and services for 2014-15 was $64.5 million, which represents a 13% increase over the prior year. The District was planning to build a new elementary school based on projected enrollment growth, however due the "Great Recession" enrollment growth did not occur. The plans and specifications of this planned school no longer meet building code, therefore $1.9 million in costs were expensed in 2014-15 resulting in a one-time increase in General Administration expense. Depreciation expenses have been charged to programs, thus no depreciation is unallocated. The District expenses are predominately related to educating and providing services for students (70%) as shown in the graph below.



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 increase of the LCFF funding gap by approximately 1.5%.
- 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.
- Routine budget revisions, 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 include:

- Restricted and assigned balances being brought forward into the 2015-16 budget.
- Budgeted revenue over expense was anticipated to be $-2.9 million, however, actual revenue to expense was $-731 thousand due to the restricted, assigned balances and unspent funds being moved into 2015-16.

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 2014-2015. 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

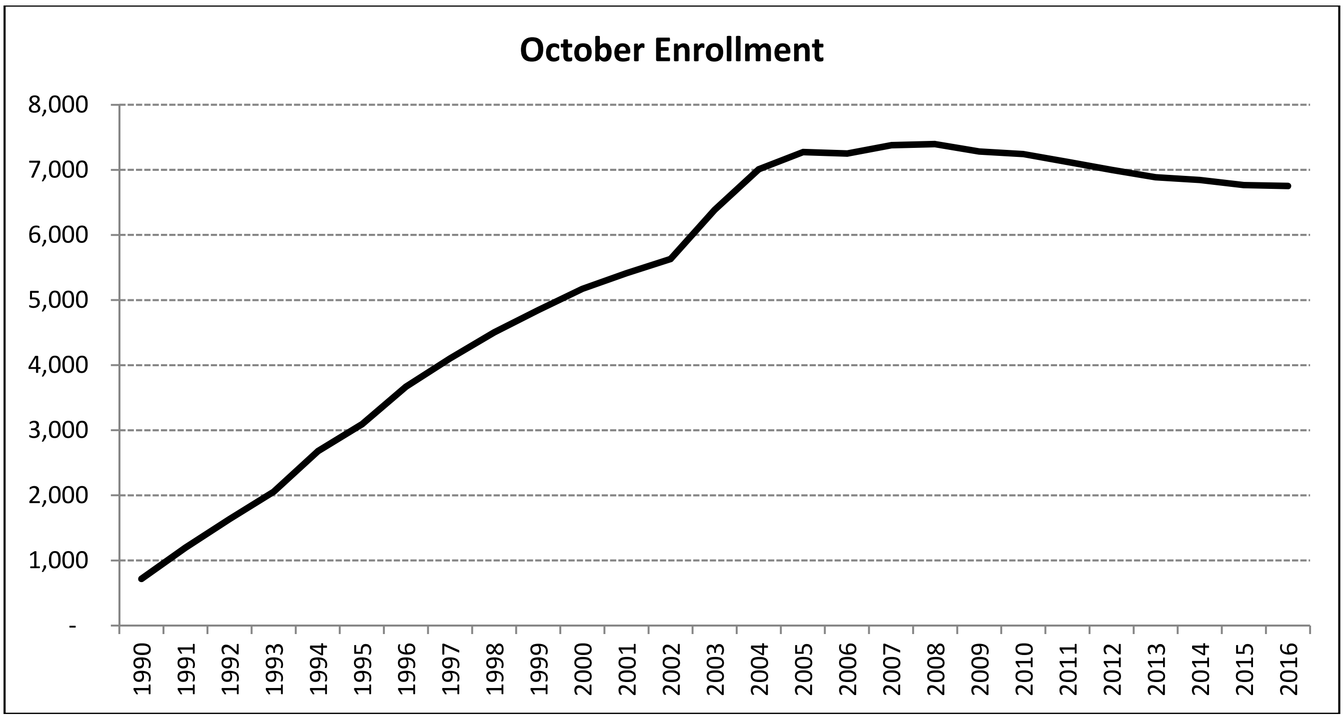
The District continues to maintain a solid financial condition. In past years the District has made many difficult decisions as a result of state budget reductions and declining enrollment. These decisions allowed the district to reduce expenditures and have resulted in a better than projected ending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

The District's reserves remain at the Board of Trustees required levels of a 4% Designation for Economic Uncertainties and a 2% Cash Flow reserve. The District continues its practice of committing 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 higher of the Local Control Funding Formula Gap or Unexpected Needs of $200 per enrollee reserve 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 2015 enrollment was 6,752 which is a decline of 13 students or 0.2% from the prior year.

Residential development is returning as demonstrated by 71 building permits issued in 2014-15, this is an increase of 117% over the prior year. Additionally, from July 1, 2015 to September 30, 2015 a total of 30 permits have been issued. There are still approximately 16 future developments composing of approximately 1,800 residential units. The District is well positioned to accommodate the future student growth from these developments as it has acquired a school site and will expand an existing elementary school. These projects are anticipated to be funded through a combination of state reimbursement, developer fees, and local matching funds.



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 school additions. Each of these schools and additions were financed with state reimbursements, developer fees and local funds.

As discussed earlier, the District was planning to build a new elementary school based on projected enrollment growth however due the "Great Recession" enrollment growth did no occur. The plans and specifications no longer meet building code and therefore the Work-in-Progress incurred for this project was expensed in 2014-15.

As shown in the table on the next page, by the end of 2015 the District had invested $147 million in a range of capital assets, including land, site improvements, school buildings, administrative buildings, and equipment. Depreciation expense for the year was $4.8 million.

Capital Assets (net of depreciation)						
		June 30, 2015		June 30, 2014		June 30, 2013
Land	$	19,784,706	$	19,784,706	$	19,758,808
Site Improvements		7,661,716		8,451,427		9,205,587
Buildings		117,747,153		120,593,164		123,750,781
Equipment		1,935,034		2,308,697		2,860,780
Work-In-Progress		316,651		2,220,988		2,277,964
Total	$	147,445,260	$	153,358,982	$	157,853,920

District Indebtedness

As of June 30, 2015 the District has $110.9 million of long-term liabilities as shown in the table below. This increase of $39.5 million is primarily due to the inclusion of Net Pension Liability.

Payments for the Mello Roos and General Obligation Bonds reduced the outstanding debt by $3.0 million. These bonds are financed by the local taxpayers through voter-approved elections. During the year the District refinanced a portion of the 2003 Series and all of the 2005 Series Mello bonds with the 2015 Series bonds. Additional details regarding indebtedness may be found in the Notes section of the financial statements.

Long-Term Liabilities						
		June 30, 2015		June 30, 2014		June 30, 2013
General Obligation Bonds	$	44,005,870	$	45,289,236	$	46,496,660
Mello Roos Bonds		10,347,789		12,124,952		13,453,032
Accreted Interest		13,875,452		13,199,623		12,567,643
Unamortized Discount		2,125,395		604,788		615,898
Capitalized Obligations		24,043		42,381		19,706
Compensated Absences		128,639		116,651		116,422
Net Pension Liability		40,393,000		0		0
Total	$	110,900,188	$	71,377,631	$	73,269,361

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 affect its future financial health:

- The State's economic situation remains a significant factor impacting the District's future as approximately 89% of total General Fund revenues for 2014-15 were from state sources or formulas.
    - Proposition 30 was passed by the electorate in November 2012 which 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 unknown.
    - The Local Control Funding Formula (LCFF) replaced Revenue Limits and most state categorical programs beginning in 2013-14 and is projected to be fully implemented by 2020-21.
- A maximum reserve level of 6.0% on assigned and unassigned balances if specific criteria are met were included in legislation approved as part of the 2014-15 state budget.
- The Governor has indicated an interest in limited state funding for school facilities.

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 received. If you have questions regarding this report or need additional financial information, please contact 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, 2015

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 33,965,683
Receivables	1,598,687
Stores inventory	677
Non-depreciable capital assets (Note 4)	20,101,357
Depreciable capital assets, net of accumulated depreciation (Note 4)	127,343,903
Total assets	183,010,307
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding (Note 5)	336,022
Deferred outflows of resources - pensions (Notes 7 and 8)	3,161,686
Total deferred outflows of resources	3,497,708
LIABILITIES	
Accounts payable	2,721,272
Unearned revenue	48,542
Long-term liabilities (Note 5):	
Due within one year	3,000,073
Due after one year	107,900,115
Total liabilities	113,670,002
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	10,506,000
NET POSITION	
Net investment in capital assets	77,997,317
Restricted (Note 6)	19,953,222
Unrestricted	(35,618,526)
Total net position	$ 62,332,013

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 37,754,636	$ 133	$ 6,359,781	$ -	$ (31,394,722)
Instruction-related services:					
Supervision of instruction	1,372,316	-	135,888	-	(1,236,428)
Instructional library, media and technology	354,521	-	-	-	(354,521)
School site administration	3,429,062	-	90,474	-	(3,338,588)
Pupil services:					
Home-to-school transportation	844,275	-	5,124	-	(839,151)
Food services	11,730	-	-	-	(11,730)
All other pupil services	1,355,373	-	512,481	-	(842,892)
General administration:					
Data processing	196,753	-	6,264	-	(190,489)
All other general administration	4,459,075	8,223	109,548	-	(4,341,304)
Plant services	9,171,865	28,027	437,814	-	(8,706,024)
Ancillary services	151,575	-	4,411	-	(147,164)
Interest on long-term liabilities	4,924,560	-	-	-	(4,924,560)
Other outgo	486,900	1,003,617	126,427	-	643,144
Total governmental activities	$ 64,512,641	$ 1,040,000	$ 7,788,212	$ -	(55,684,429)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	12,687,452
Taxes levied for debt service	5,814,649
Federal and state aid not restricted to specific purposes	33,523,598
Interest and investment earnings	168,225
Miscellaneous	725,898
Total general revenues	52,919,822
Change in net position	(2,764,607)
Net position, July 1, 2014	112,483,157
Cumulative effect of GASB 68 implementation	(47,386,537)
Net position, July 1, 2014, as restated	65,096,620
Net position, June 30, 2015	$ 62,332,013

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Facilities Fund	Mello-Roos Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 16,075,835	$ 6,438,246	$ -	$ 9,552,167	$ 32,066,248
Cash in revolving fund	5,000	-	-	-	5,000
Cash with Fiscal Agent	-	-	1,894,435	-	1,894,435
Receivables	1,587,424	4,491	50	6,722	1,598,687
Stores inventory	677	-	-	-	677
Total assets	$ 17,668,936	$ 6,442,737	$ 1,894,485	$ 9,558,889	$ 35,565,047
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,006,593	$ 13,763	$ -	$ 24,058	$ 2,044,414
Unearned revenue	48,542	-	-	-	48,542
Total liabilities	2,055,135	13,763	-	24,058	2,092,956
Fund balances:					
Nonspendable	5,677	-	-	-	5,677
Restricted	2,094,932	6,428,974	1,894,485	6,246,121	16,664,512
Committed	1,783,557	-	-	1,522,874	3,306,431
Assigned	684,417	-	-	1,765,836	2,450,253
Unassigned	11,045,218	-	-	-	11,045,218
Total fund balances	15,613,801	6,428,974	1,894,485	9,534,831	33,472,091
Total liabilities and fund balances	$ 17,668,936	$ 6,442,737	$ 1,894,485	$ 9,558,889	$ 35,565,047

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, 2015

Total fund balances - Governmental Funds		$ 33,472,091
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 $204,863,328 and the accumulated depreciation is $57,418,068 (Note 4).		147,445,260
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, 2015 consisted of (Note 5):		
General Obligation Bonds	$ (44,005,870)	
Mello-Roos Bonds	(10,347,789)	
Accreted interest	(13,875,452)	
Unamortized premiums	(2,125,395)	
Capital leases	(24,043)	
Compensated absences	(128,639)	
Net pension liability (Notes 7 and 8)	(40,393,000)	
		(110,900,188)
Deferred outflows of resources resulting from defeasance of debt are not recorded in governmental funds. In governmental activities, for advanced refundings resulting in the defeasance of debt reported in the governmental activities, the difference between the reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources (Note 5).		336,022
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8):		
Deferred outflows of resources relating to pensions	$ 3,161,686	
Deferred inflows of resources relating to pensions	(10,506,000)	
		(7,344,314)
Unmatured interest is not recognized until it is due and, therefore, it is not accrued as a payable in governmental funds.		(676,858)
Total net position - governmental activities		$ 62,332,013

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, 2015

	General Fund	Capital Facilities Fund	Mello-Roos Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local control funding formula:					
State apportionment	$ 32,098,067	$ -	$ -	$ 512,000	$ 32,610,067
Local sources	12,053,993	-	-	-	12,053,993
Total local control funding formula	44,152,060	-	-	512,000	44,664,060
Federal sources	2,355,947	-	-	-	2,355,947
Other state sources	3,584,990	-	-	1,628,756	5,213,746
Other local sources	3,099,044	1,125,941	2,119,773	2,661,624	9,006,382
Total revenues	53,192,041	1,125,941	2,119,773	4,802,380	61,240,135
Expenditures:					
Current:					
Certificated salaries	28,093,971	-	-	-	28,093,971
Classified salaries	6,619,342	-	-	-	6,619,342
Employee benefits	9,877,075	-	-	-	9,877,075
Books and supplies	2,815,560	-	-	-	2,815,560
Contract services and operating expenditures	3,620,899	160,590	-	65,208	3,846,697
Other outgo	936,542	-	-	-	936,542
Capital outlay	590,150	389,253	-	84,748	1,064,151
Debt service:					
Principal retirement	18,338	-	1,297,163	1,283,366	2,598,867
Interest	8,334	-	1,369,633	2,199,121	3,577,088
Total expenditures	52,580,211	549,843	2,666,796	3,632,443	59,429,293
Excess (deficiency) of revenues over (under) expenditures	611,830	576,098	(547,023)	1,169,937	1,810,842
Other financing sources (uses):					
Interfund transfers in	279,799	933,000	-	1,035,017	2,247,816
Interfund transfers out	(1,623,017)	-	(345,000)	(279,799)	(2,247,816)
Proceeds from the issuance of long-term liabilities		-	8,740,000	-	8,740,000
Debt issuance premium		-	926,023	-	926,023
Payment to refunding escrow		-	(9,220,000)	-	(9,220,000)
Total other financing sources (uses)	(1,343,218)	933,000	101,023	755,218	446,023
Net change in fund balances	(731,388)	1,509,098	(446,000)	1,925,155	2,256,865
Fund balances, July 1, 2014	16,345,189	4,919,876	2,340,485	7,609,676	31,215,226
Fund balances, June 30, 2015	$ 15,613,801	$ 6,428,974	$ 1,894,485	$ 9,534,831	$ 33,472,091

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

Net change in fund balances - Total Governmental Funds		$ 2,256,865
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 position (Note 4).	$ 1,136,253	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(5,033,061)	
The entire proceeds from disposal of capital assets are reported as revenue in the governmental funds (Note 4).	(98,427)	
If a planned capital project is canceled and will not be completed, costs previously capitalized as work-in-progress must be written off to expense (Note 4).	(1,930,487)	
In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue an as increases to capital assets (Note 4).	12,000	
Amortization of premiums and deferred loss on refunding are expenses that are not recorded in the governmental funds. The difference between the debt issuance premium and deferred loss on refunding recognized in the current period and the issuance premium and deferred loss on refunding amortized in the current period is (Note 5).	(1,184,585)	
Deposits to escrow for advance refundings of debt is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	9,220,000	
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 position (Note 5).	2,598,867	
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases to long-term liabilities in the statement of net position (Note 5).	(8,740,000)	
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(675,829)	
Unmatured interest is an expense that is not recorded in the governmental funds.	36,562	

(Continued)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8).	$ (350,777)	
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).	(11,988)	$ (5,021,472)
Change in net position of governmental activities		$ (2,764,607)

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

	Student Body Fund	Warrant Pass-Through Fund
ASSETS		
Cash in county treasury (Note 2)	$ -	$ 444,853
Cash on hand and in banks (Note 2)	137,919	-
Total assets	$ 137,919	$ 444,853
LIABILITIES		
Due to others	$ 137,919	$ 444,853

NOTE 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 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 reported in the Mello-Roos Fund 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.

4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Facilities District.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Capital Facilities Fund:

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

Mello-Roos Fund:

The Mello-Roos Fund is a debt service fund used to account for the accumulation of resources for the payment of principal and interest related to the Mello-Roos Bonds.

B - Other Funds

Deferred Maintenance 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.

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 and Special Reserve Funds.

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for the payment of principal and interest related to the General Obligation Bonds.

Agency Funds:

The Agency Funds are used to account for the various funds for which the District acts as an agent. The District maintains nine agency funds, one each for the student body organizations at 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 generally made up of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2015.

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.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. There was no amortization for the year ended June 30, 2015. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) State Teachers' Retirement Plan (STRP) and California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP an PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 2,468,043	$ 693,643	$ 3,161,686
Deferred inflows of resources	$ 8,532,000	$ 1,974,000	$ 10,506,000
Net pension liability	$ 34,649,000	$ 5,744,000	$ 40,393,000
Pension expense	$ 3,498,766	$ 510,696	$ 4,009,462

Compensated Absences: Compensated absence benefits in the amount of $128,639 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

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

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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.

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 through a majority vote is required to create or remove any commitment from any fund balance.

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, 2015, the Superintendent has been designated with the authority to assign fund balances.

E - Unassigned Fund Balance (continued):

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2015, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The Counties of Sacramento and Placer bill and collect taxes for the District. Tax revenues are recognized by the District when received.

Eliminations and Reclassifications: In the process of aggregating data for the statement of net position 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 June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB 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. GASB Statement No. 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 July 1, 2014. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by $47,386,537 because of the recognition of the net pension liability and deferred outflows of resources.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2013, the GASB issued GASB 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 GASB 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 GASB 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. GASB 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 GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position.

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of Statements No. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has determined that this statement will not have an impact on its financial statements because the District has no OPEB.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District’s fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 consisted of the following:

	Governmental Activities	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	$ 32,066,248	$ 444,853
Deposits:		
Cash in revolving fund	5,000	-
Cash on hand and in banks	-	137,919
Cash with Fiscal Agent	1,894,435	-
Total	$ 33,965,683	$ 582,772

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.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Placer County Treasurer may invest in derivative securities. However, at June 30, 2015, 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, 2015, the carrying amount of the District's accounts was $142,919 and the bank balance was $144,630, all of which was insured.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held by the Sacramento County Treasurer and Union Bank of California for the repayment of outstanding Mello-Roos Bonds. The cash balances are fully collateralized at June 30, 2015.

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, 2015, 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, 2015, the District had no concentration of credit risk.

NOTE 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. The District had no interfund due to or due from amounts as of June 30, 2015.

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

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve Fund for the repair and replacement of digital classroom equipment, furniture and equipment and school busses.	$ 1,035,017
Transfer from the General Fund to the Capital Facilities Fund for District Educational Facilities.	588,000
Transfer from the Special Reserve Fund to the General Fund for the purchase of school buses, computers and equipment.	279,799
Transfer from the Mello-Roos Fund to the Capital Facilities Fund for repayment of fees.	345,000
	$ 2,247,816

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014	Additions	Deductions	Transfers	Balance June 30, 2015
Non-depreciable:					
Land	$ 19,784,706	$ -	$ -	$ -	$ 19,784,706
Work-in-process	2,220,988	296,533	1,930,487	(270,383)	316,651
Depreciable:					
Improvement of sites	19,736,099	40,450	-	-	19,776,549
Buildings	157,386,504	546,672	183,227	208,969	157,958,918
Equipment	6,819,706	264,598	119,214	61,414	7,026,504
Totals, at cost	205,948,003	1,148,253	2,232,928	-	204,863,328
Less accumulated depreciation:					
Improvement of sites	(11,284,672)	(830,161)	-	-	(12,114,833)
Buildings	(36,793,340)	(3,506,579)	(88,154)	-	(40,211,765)
Equipment	(4,511,009)	(696,321)	(115,860)	-	(5,091,470)
Total accumulated depreciation	(52,589,021)	(5,033,061)	(204,014)	-	(57,418,068)
Capital assets, net	$ 153,358,982	$ (3,884,808)	$ 2,028,914	$ -	$ 147,445,260

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 20,190
Supervision of instruction	5,192
Home-to-school transportation	143,991
Food services	1,782
All other general administration	10,540
Data processing	28,970
Plant services	4,822,396
Total depreciation expense	$ 5,033,061

(Continued)

NOTE 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:

Year Ending June 30,	Principal	Interest	Total
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	457,985	1,282,015	1,740,000
2021-2023	1,351,299	4,413,701	5,765,000
Totals	$ 3,723,848	$ 9,961,152	$ 13,685,000

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

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

Year Ending June 30,	Principal	Interest	Total
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	605,000	168,800	773,800
2021-2025	3,685,000	414,538	4,099,538
Totals	$ 6,305,000	$ 1,512,639	$ 7,817,639

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

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

Year Ending June 30,	Principal	Interest	Total
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	915,000	778,125	1,693,125
2021-2025	6,930,000	3,131,763	10,061,763
2026-2030	10,450,780	2,991,434	13,442,214
2031-2033	1,962,564	8,367,436	10,330,000
Totals	$ 22,733,344	$ 18,673,008	$ 41,406,352

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:

Year Ending June 30,	Principal	Interest	Total
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	50,000	135,282	185,282
2021-2025	490,000	629,238	1,119,238
2026-2030	1,030,000	467,659	1,497,659
2031-2035	2,597,961	4,941,665	7,539,626
2036-2040	3,200,793	16,534,207	19,735,000
2041-2045	3,009,942	23,400,057	26,409,999
2046-2047	764,981	12,975,020	13,740,001
Totals	$ 11,243,677	$ 59,637,253	$ 70,880,930

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

The Bonds mature serially in varying amounts during the succeeding years through 2016 with interest rates ranging from 4.20% to 5.20%. Future payments are scheduled as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 130,000	$ 3,380	$ 133,380

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:

Year Ending June 30,	Principal	Interest	Total
2016	$ 39,800	$ 80,200	$ 120,000
2017	168,837	376,163	545,000
Totals	$ 208,637	$ 456,363	$ 665,000

(Continued)

NOTE 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 and 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 2020, with interest rates ranging from 3.60% to 5.75%. Future payments are scheduled as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 535,000	$ 14,178	$ 549,178
2017	45,740	74,260	120,000
2018	156,670	278,330	435,000
2019	69,763	135,237	205,000
2020	36,979	78,021	115,000
Totals	$ 844,152	$ 580,026	$ 1,424,178

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

The Bonds mature serially in varying amounts during the succeeding years through 2016, with interest rates ranging from 3.0% to 5.0%. Future payments are scheduled as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 425,000	$ 8,500	$ 433,500

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Series 2015 Special Tax Refunding Bonds: On April 14, 2015, the District issued Mello-Roos Bonds in the amount of $8,740,000 to provide funds for refunding a portion of the Series 2003 Bonds and all of the Series 2005 Bonds. 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. As of June 30, 2015 $9,220,000 of refunded bonds were still outstanding and scheduled to be paid on September 1, 2015.

The Bonds mature serially in varying amounts during the succeeding years through 2029, with interest rates ranging from 2.0% to 3.0%. Future payments are scheduled as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 180,000	$ 277,416	$ 457,416
2017	580,000	338,412	918,412
2018	615,000	320,313	935,313
2019	705,000	293,912	998,912
2020	765,000	260,688	1,025,688
2021-2025	4,770,000	680,744	5,450,744
2026-2029	1,125,000	62,675	1,187,675
Totals	$ 8,740,000	$ 2,234,160	$ 10,974,160

Although the advance refundings resulted in the recognition of an accounting loss of $336,022 for the year ended June 30, 2015, the District in effect reduced its aggregate debt service payments by $1,133,123 over the next 13 years and obtained an economic gain of $829,434.

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	$ 12,107,283
New debt service cash flows	10,974,160
Total cash flow difference	$ 1,133,123
Present value of old debt service cash flows	$ 10,581,770
Present value of new debt service cash flows	9,752,336
Economic gain	$ 829,434

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014 as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
General Obligation Bonds	$ 45,289,236	$ -	$ 1,283,366	$ 44,005,870	$ 1,403,890
Special Tax Bonds - Mello-Roos	12,124,952	8,740,000	10,517,163	10,347,789	1,309,800
Accreted interest	13,199,623	675,829	-	13,875,452	-
Unamortized premium	604,788	1,520,607	-	2,125,395	138,630
Capital leases	42,381	-	18,338	24,043	19,114
Compensated absences	116,651	128,639	116,651	128,639	128,639
Net pension liability (Notes 7 and 8)	50,173,000	-	9,780,000	40,393,000	-
	$ 121,550,631	$ 11,065,075	$ 21,715,518	$ 110,900,188	$ 3,000,073

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.

NOTE 6 - NET POSITION / FUND BALANCES

The restricted net position as of June 30, 2015 consisted of the following:

	Governmental Activities
Restricted for unspent categorical program revenues	$ 2,094,932
Restricted for special revenue programs	1,522,874
Restricted for debt service	5,096,796
Restricted for capital projects	11,238,620
	$ 19,953,222

(Continued)

NOTE 6 - NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Capital Facilities Fund	Mello-Roos Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	$ 5,000	$ -	$ -	$ -	$ 5,000
Stores inventory	677	-	-	-	677
Subtotal nonspendable	5,677	-	-	-	5,677
Restricted:					
Unspent categorical revenues	2,094,932	-	-	-	2,094,932
Capital projects	-	6,428,974	-	3,043,810	9,472,784
Debt service	-	-	1,894,485	3,202,311	5,096,796
Subtotal restricted	2,094,932	6,428,974	1,894,485	6,246,121	16,664,512
Committed:					
Lottery revenues	895,357	-	-	-	895,357
Instructional materials	750,000	-	-	-	750,000
Site carryover	42,000	-	-	-	42,000
Food services	38,700	-	-	-	38,700
Technology	35,000	-	-	-	35,000
SLIP	12,500	-	-	-	12,500
Facility usage	10,000	-	-	-	10,000
Deferred maintenance	-	-	-	1,522,874	1,522,874
Subtotal committed	1,783,557	-	-	1,522,874	3,306,431
Assigned:					
Supplemental grant	262,220	-	-	-	262,220
Site allocation	169,230	-	-	-	169,230
SLIP	92,306	-	-	-	92,306
Lottery program expenditures	64,556	-	-	-	64,556
Other board assignments	96,105	-	-	-	96,105
Technology repair/replacement	-	-	-	1,266,336	1,266,336
Furniture replacement	-	-	-	300,000	300,000
Bus replacement	-	-	-	199,500	199,500
Subtotal assigned	684,417	-	-	1,765,836	2,450,253
Unassigned:					
Designated for economic uncertainty	9,161,755	-	-	-	9,161,755
Undesignated	1,883,463	-	-	-	1,883,463
Subtotal unassigned	11,045,218	-	-	-	11,045,218
Total fund balances	$15,613,801	$ 6,428,974	$ 1,894,485	$ 9,534,831	$33,472,091

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a full time basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

<u>Contributions:</u> Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $2,468,043 to the plan for the fiscal years ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017 through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 34,649,000
State's proportionate share of the net pension liability associated with the District	20,923,000
Total	$ 55,572,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.059 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2015, the District recognized pension expense of $3,498,766 and revenue of $1,415,205 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	8,532,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	2,468,043	-
Total	$ 2,468,043	$ 8,532,000

$2,468,043 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2016	$ 2,133,000
2017	$ 2,133,000
2018	$ 2,133,000
2019	$ 2,133,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by Pension Consulting Alliance (PCA) is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 54,009,000	$ 34,649,000	$ 18,507,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $693,643 to the plan for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of $5,744,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District's proportion was 0.051 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $510,696. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	1,974,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	693,643	-
Total	$ 693,643	$ 1,974,000

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

$694,643 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,		
2016	$	493,500
2017	$	493,500
2018	$	493,500
2019	$	493,500

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 10,048,000	$ 5,744,000	$ 2,094,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 - 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of financial information for SIG at June 30, 2014 (the latest information available).

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.

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. There have been no significant reductions in insurance coverage from coverage in the prior year.

(Continued)

NOTE 9 - JOINT POWERS AGREEMENT (Continued)

The following is a summary of the financial information for School Project for Utility Rate Reduction at June 30, 2014 (the latest information available):

Total assets	$ 12,618,781
Total liabilities	$ 7,684,404
Net position	$ 4,934,377
Total revenues	$ 33,778,951
Total expenses	$ 34,880,230
Change in net position	$ (1,101,279)

NOTE 10 - 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, 2015

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local control funding formula:				
State apportionment	$ 33,931,309	$ 32,374,319	$ 32,098,067	$ (276,252)
Local sources	10,389,751	11,602,552	12,053,993	451,441
Total local control funding formula	44,321,060	43,976,871	44,152,060	175,189
Federal sources	2,338,421	2,689,053	2,355,947	(333,106)
Other state sources	1,639,315	3,595,248	3,584,990	(10,258)
Other local sources	2,858,404	2,977,464	3,099,044	121,580
Total revenues	51,157,200	53,238,636	53,192,041	(46,595)
Expenditures:				
Certificated salaries	27,413,837	28,482,806	28,093,971	388,835
Classified salaries	6,352,667	6,798,841	6,619,342	179,499
Employee benefits	8,632,250	10,005,011	9,877,075	127,936
Books and supplies	2,339,801	3,444,179	2,815,560	628,619
Contract services and operating expenditures	4,743,383	4,523,034	3,620,899	902,135
Capital outlay	353,819	670,517	590,150	80,367
Other outgo	886,852	942,052	936,542	5,510
Debt service:				
Principal retirement	14,462	18,339	18,338	1
Interest	5,371	7,922	8,334	(412)
Total expenditures	50,742,442	54,892,701	52,580,211	2,312,490
Excess (deficiency) of revenues over (under) expenditures	414,758	(1,654,065)	611,830	2,265,895
Other financing sources (uses):				
Interfund transfers in	80,000	279,841	279,799	42
Interfund transfers out	(388,000)	(1,623,315)	(1,623,017)	298
Total other financing sources (uses)	(308,000)	(1,343,474)	(1,343,218)	340
Net change in fund balance	106,758	(2,997,539)	(731,388)	2,266,235
Fund balance, July 1, 2014	16,345,189	16,345,189	16,345,189	-
Fund balance, June 30, 2015	$ 16,451,947	$ 13,347,650	$ 15,613,801	$ 2,266,235

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.059%
District's proportionate share of the net pension liability	$ 34,649,000
State's proportionate share of the net pension liability associated with the District	20,923,000
Total net pension liability	$ 55,572,000
District's covered-employee payroll	$ 26,409,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior.

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.051%
District's proportionate share of the net pension liability	$ 5,744,000
District's covered-employee payroll	$ 5,311,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

		2015
Contractually required contribution	$	2,468,043
Contributions in relation to the contractually required contribution	$	2,468,043
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	27,793,000
Contributions as a percentage of covered-employee payroll		8.88%

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

		2015
Contractually required contribution	$	693,643
Contributions in relation to the contractually required contribution	$	693,643
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	5,893,000
Contributions as a percentage of covered-employee payroll		11.77%

All years prior to 2015 are not available.

NOTE 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.

B - Schedule of the District’s Proportionate Share of the Net Pension Liability

The Schedule of the District’s Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District’s Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C – Schedule of the District's Contributions

The Schedule of District's Contributions is presented to illustrate the District’s required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2015

	Deferred Maintenance Fund	General Obligation Bond Building Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Total
ASSETS					
Cash in County Treasury	$ 1,535,391	$ 2,600,174	$ 2,216,455	$ 3,200,147	$ 9,552,167
Receivables	1,083	1,830	1,645	2,164	6,722
Total assets	$ 1,536,474	$ 2,602,004	$ 2,218,100	$ 3,202,311	$ 9,558,889
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 13,600	$ 3,648	$ 6,810	$ -	$ 24,058
Fund balances:					
Restricted	-	2,598,356	445,454	3,202,311	6,246,121
Committed	1,522,874	-	-	-	1,522,874
Assigned	-	-	1,765,836	-	1,765,836
Total fund balances	1,522,874	2,598,356	2,211,290	3,202,311	9,534,831
Total liabilities and fund balances	$ 1,536,474	$ 2,602,004	$ 2,218,100	$ 3,202,311	$ 9,558,889

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, 2015

	Deferred Maintenance Fund	General Obligation Bond Building Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Total
Revenues					
Local control funding formula:					
State apportionment	$ 512,000	$ -	$ -	$ -	$ 512,000
Other state sources	-	-	431,338	1,197,418	1,628,756
Other local sources	14,720	26,867	106,376	2,513,661	2,661,624
Total revenues	526,720	26,867	537,714	3,711,079	4,802,380
Expenditures:					
Current:					
Contract services and operating expenditures	-	-	65,208	-	65,208
Capital outlay	18,997	17,204	48,547	-	84,748
Debt service:					
Principal retirement	-	-	-	1,283,366	1,283,366
Interest	-	-	-	2,199,121	2,199,121
Total expenditures	18,997	17,204	113,755	3,482,487	3,632,443
Excess of revenues over expenditures	507,723	9,663	423,959	228,592	1,169,937
Other financing sources (uses):					
Interfund transfers in	-	-	1,035,017	-	1,035,017
Interfund transfers out	-	-	(279,799)	-	(279,799)
Total other financing sources (uses)	-	-	755,218	-	755,218
Net change in fund balances	507,723	9,663	1,179,177	228,592	1,925,155
Fund balances, July 1, 2014	1,015,151	2,588,693	1,032,113	2,973,719	7,609,676
Fund balances, June 30, 2015	$ 1,522,874	$ 2,598,356	$ 2,211,290	$ 3,202,311	$ 9,534,831

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Dry Creek School				
Assets:				
Cash on hand and in banks	$ 289	$ -	$ 289	$ -
Liabilities:				
Due to student groups	$ 289	$ -	$ 289	$ -
Heritage Oak School				
Assets:				
Cash on hand and in banks	$ 1,100	$ 1,143	$ 1,049	$ 1,194
Liabilities:				
Due to student groups	$ 1,100	$ 1,143	$ 1,049	$ 1,194
Antelope Meadows School				
Assets:				
Cash on hand and in banks	$ 1,059	$ 198	$ 164	$ 1,093
Liabilities:				
Due to student groups	$ 1,059	$ 198	$ 164	$ 1,093
Antelope Crossing School				
Assets:				
Cash on hand and in banks	$ 40,032	$ 153,837	$ 143,017	$ 50,852
Liabilities:				
Due to student groups	$ 40,032	$ 153,837	$ 143,017	$ 50,852
Quail Glen School				
Assets:				
Cash on hand and in banks	$ 928	$ -	$ 344	$ 584
Liabilities:				
Due to student groups	$ 928	$ -	$ 344	$ 584

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Olive Grove School				
Assets:				
Cash on hand and in banks	$ 673	$ 904	$ 382	$ 1,195
Liabilities:				
Due to student groups	$ 673	$ 904	$ 382	$ 1,195
Coyote Ridge School				
Assets:				
Cash on hand and in bank	$ 1,088	$ 357	$ 763	$ 682
Liabilities:				
Due to student groups	$ 1,088	$ 357	$ 763	$ 682
Silverado Middle School				
Assets:				
Cash on hand and in bank	$ 34,007	$ 178,681	$ 155,495	$ 57,193
Liabilities:				
Due to student groups	$ 34,007	$ 178,681	$ 155,495	$ 57,193
Barrett Ranch School				
Assets:				
Cash on hand and in bank	$ 1,866	$ 1,225	$ 2,253	$ 838
Liabilities:				
Due to student groups	$ 1,866	$ 1,225	$ 2,253	$ 838
Creekview Ranch Middle School				
Assets:				
Cash on hand and in bank	$ 19,745	$ 91,917	$ 87,374	$ 24,288
Liabilities:				
Due to student groups	$ 19,745	$ 91,917	$ 87,374	$ 24,288

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Total - All Agency Funds				
Assets:				
Cash on hand and in banks	$ 100,787	$ 428,262	$ 391,130	$ 137,919
Liabilities:				
Due to student groups	$ 100,787	$ 428,262	$ 391,130	$ 137,919

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, 2015, the District is operating seven elementary schools and two middle schools.

GOVERNING BOARD

Name	Office	Term Expires
Diane Howe	President	December 2018
Jeff Randall	Clerk	December 2016
Jeffery Holland	Member	December 2018
Scott Otsuka	Member	December 2016
Tracy Pittman	Member	December 2018

ADMINISTRATION

Bradley Tooker
Superintendent

James Ferguson
Assistant Superintendent, Administrative Services

Roger Van Putten
Chief Business Officer

Evonne Rogers*
Assistant Superintendent, Educational Services

* Evonne Rogers retired effective June 30, 2015 and Sara Wegner took over July 1, 2015

	Second Period Report	Annual Report
Elementary:		
Transitional Kindergarten through Third	2,647	2,651
Fourth through Sixth	2,218	2,217
Seventh and Eighth	1,638	1,639
Special Education	12	14
Totals	6,515	6,521

See accompanying notes to supplementary information.

Grade Level	Statutory 1986-87 Minutes Require-ment	Reduced 1986-87 Minutes Require-ment	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	36,900	180	In Compliance
Grade 1	50,400	49,000	50,960	180	In Compliance
Grade 2	50,400	49,000	50,960	180	In Compliance
Grade 3	50,400	49,000	50,960	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	55,635	180	In Compliance
Grade 7	54,000	52,500	55,635	180	In Compliance
Grade 8	54,000	52,500	55,635	180	In Compliance

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	$ 924,870
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	24,031
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	13682	78,265
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	14468	53,415
	Subtotal Special Education Cluster		1,080,581
	Title III Program:		
84.365	NCLB (ESEA) : Title III, Immigrant Education Program	15146	5,641
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	130,731
	Subtotal Title III Program		136,372
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	933,420
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	6,773
84.367	NCLB: Title II, Part A, Teacher Quality	14341	102,771
	Total U.S. Department of Education		2,259,917
U.S. Department of Health and Human Services - Passed through California Department of Education			
93.778	Medi-Cal Billing Option	10013	82,163
93.778	Medi-Cal Administrative Activities	10060	13,867
	Total Federal Programs		$ 2,355,947

See accompanying notes to supplementary information.

There were no audit adjustments proposed to any funds of the District.

General Fund	(Budget) 2016	2015	2014	2013
Revenues and other financing sources	$ 60,453,183	$ 53,471,840	$ 49,355,233	$ 46,557,834
Expenditures	58,272,166	52,580,211	48,301,243	45,388,384
Other uses and transfers out	3,329,980	1,623,017	737,416	114,819
Total outgo	61,602,146	54,203,228	49,038,659	45,503,203
Change in fund balance	$ (1,148,963)	$ (731,388)	$ 316,574	$ 1,054,631
Ending fund balance	$ 14,464,838	$ 15,613,801	$ 16,345,189	$ 16,028,615
Available reserves	$ 9,436,084	$ 11,045,218	$ 10,398,516	$ 12,741,692
Designated for economic uncertainties	$ 6,333,896	$ 9,161,755	$ 8,257,237	$ 5,063,706
Undesignated fund balance	$ 3,102,188	$ 1,883,463	$ 2,141,279	$ 7,677,986
Available reserves as percentages of total outgo	15.3%	20.4%	21.2%	28.0%
Total long-term liabilities	$ 107,900,115	$ 110,900,188	$ 71,377,631	$ 73,269,361
Average daily attendance at P-2	6,371	6,515	6,593	6,683

The General Fund fund balance has increased by $639,817 over the past three years. The District projects a decrease of $1,148,963 for the year ending June 30, 2016. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. The District has met this requirement.

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the year ending June 30, 2016.

Total long-term liabilities have increased by $37,630,827 over the past two years.

Average daily attendance has decreased by 168 over the past two years and is anticipated to decrease by 144 during the year ending June 30, 2016.

SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report

The District does not sponsor any charter schools.

See accompanying notes to supplementary information.

NOTE 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.

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 2015-2016 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.

NOTE 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, 2015, 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 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2015.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time School Districts	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

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 does not have any Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not have any Regional Occupational Centers or Programs, therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not have any Adult Education, therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

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 related to charter schools.

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 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. 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, 2015. 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.

(Continued)

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 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 13, 2015

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, 2015, 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 November 13, 2015.

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.

(Continued)

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
November 13, 2015

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, 2015. 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, 2015.

(Continued)

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
November 13, 2015

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of 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	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173, 84.027A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented

No matters were reported.