

**DRY CREEK JOINT ELEMENTARY
SCHOOL DISTRICT**

FINANCIAL STATEMENTS

June 30, 2018

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018
(Continued)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dry Creek Joint Elementary School District, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* on pages 4 to 10 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 45 to 50 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are 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 October 26, 2018 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 LLP

Crowe LLP

Sacramento, California
October 26, 2018



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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 its 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 approximately 6,810 students as of Oct 3, 2018. The District serves residents of the Dry Creek Community in Placer County, the City of Roseville, and the Antelope Community in 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 2017-18 was 1.6% higher than originally projected.
- During 17-18 the District completed the refinancing of certain General Obligation Bonds resulting in a decrease of \$173 thousand in debt service payments to the taxpayers of the District.
- The District Educational Center (DEC) was move in ready in early June of 2017-18 and houses Administration, Educational Services, Human Resources and Fiscal Services.
- Strong General Fund reserve levels were maintained in the 2017-18. 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.

Management's Discussion and Analysis

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 and the Capital Facilities Fund.

Statement of Net Position

The District's net position increased to approximately \$66.21 million during 2017-18 as shown in the table below. Cash and investments decreased by \$4.35 million mainly due to construction project expenses. Capital Assets, net of depreciation, increased by \$3.22 million. Long-term liabilities increased by \$8.43 million primarily due to an increase in pension liabilities of \$10.7 million and a decrease of General Obligation and Mello Roos bonds of \$2.4 million. Additional information on indebtedness can be found later in the report.

Dry Creek J.E.S.D.				
Comparative Statement of Net Position				
		2017-18	2016-17	% Change
Cash & Investments	\$	33,433,078	\$ 37,779,419	-12%
Receivables		2,442,680	2,074,763	18%
Prepaid Expenses		3,635	0	0%
Other Current		483	1,822	-73%
Capital Assets		148,859,265	145,638,134	2%
Total Assets		184,739,141	185,494,138	0%
Deferred Outflows of Resources		22,911,458	12,711,229	124%
Other Liabilities		3,947,694	2,674,125	48%
Long-Term Liabilities		134,175,501	125,747,770	7%
Total Liabilities		138,123,195	128,421,895	8%
Deferred Inflows of Resources		3,321,790	2,113,000	40%
Total Net Position	\$	66,205,614	\$ 67,670,632	6%

Statement of Activities

The District's total revenue was \$72.98 million, an increase of \$3.05 million or 4.0% from 2016-17. The largest dollar changes include a \$1.16 million increase in property taxes, an increase of \$1.01 million in Program Revenues due to the state's on-behalf contributions to retirement systems, an increase in Mandated Revenues of approximately \$961 thousand, and a \$931 thousand increase in State Aid Formula.

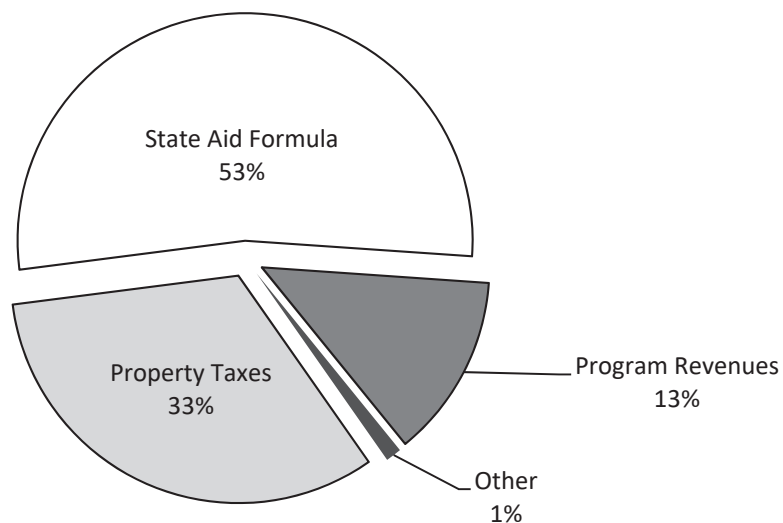
Total expenses increased to \$74.45 million for 2017-18, resulting in a decrease in net position of \$1.47 million. The following table summarizes the change in net position.

Management's Discussion and Analysis

Dry Creek J.E.S.D.					
Comparative Statement of Activities					
	2017-18		2016-17		% Change
Revenues:					
General Revenues:					
Property Taxes	\$	23,857,136	\$	22,699,324	5%
State Aid Formula		38,773,669		37,842,069	2%
Other		824,316		872,706	-6%
Program Revenues		9,528,321		8,519,550	12%
Total Revenues		72,983,442		69,933,649	4%
Expenses:					
Instructional-related		52,896,178		50,578,906	5%
Pupil Services		4,042,181		3,808,555	6%
General Administration		3,838,889		2,998,101	28%
Plant Services		9,657,961		9,520,867	1%
Ancillary Services		152,292		143,860	6%
Debt Service		2,954,368		2,231,143	13%
Other Outgo		906,590		1,396,659	-5%
Total Expense		74,448,459		70,678,091	5%
Change in Net Position		(1,465,017)		(744,442)	
Net Position, July 1		67,670,631		68,415,073	
Net Position, June 30	\$	66,205,614	\$	67,670,631	

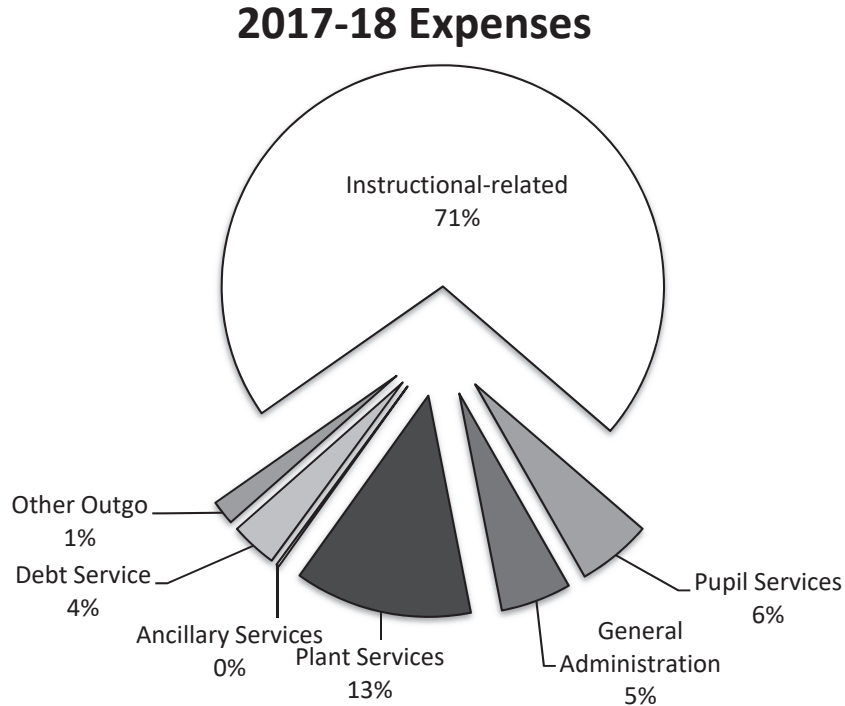
As can be seen in the graph on the next page, state aid formula and property taxes accounted for 86% of the District's revenue. An additional 13% came from state and federal aid for specific programs, and the remaining 1% of revenues are from miscellaneous sources.

2017-18 Revenues



Management's Discussion and Analysis

The total cost of programs and services for 2017-18 was \$74.45 million, which represents a 5% increase over the prior year. Depreciation expenses have been charged to programs, thus no depreciation is unallocated. The District expenses are predominately related to educating and providing services for students (71%) 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 with the major changes being:
 - A decrease of the LCFF funding gap by approximately 0.78% or approximately \$750 thousand.
 - An increase in one-time mandate reimbursement by approximately \$961 thousand
- 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 2018-19 budget.
- The projected fund balance was projected to decrease by \$1.3 million, however the actual fund balance increased \$24 thousand due to the restricted, assigned balances and unspent funds being moved into 2018-19.

Management's Discussion and Analysis

Employee Relations

The employees of the District were represented by the following groups: Dry Creek Teachers Association (DCTA), California School Employees Association (CSEA) and Amalgamated Transit Union (ATU). An agreement was reached in October 2017 with DCTA for 2017-18 and 2018-19. An agreement was reached in November 2017 with CSEA and ATU for 2017-18 and 2018-19. 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 better than projected ending fund balance.

The District's reserves remain at the Board of Trustees required levels of a 4% Designation for Economic Uncertainties and a 2% 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.

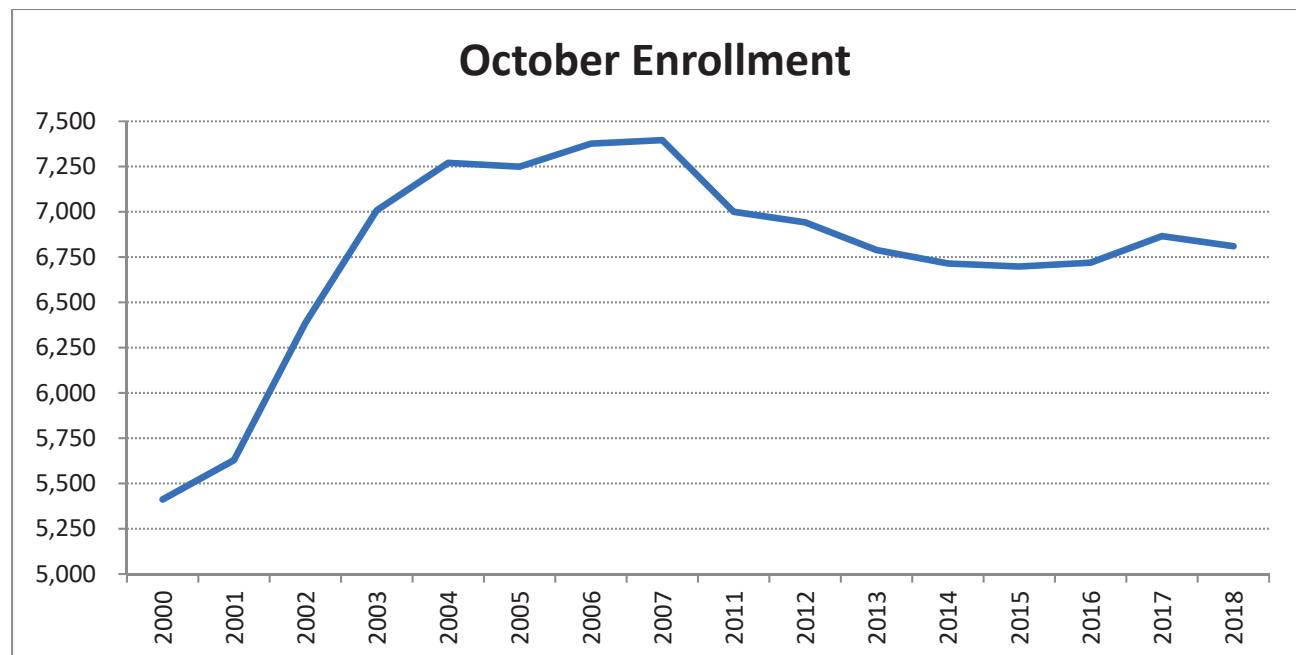
The District's sound financial condition is a result of the Board of Trustees requirements and policies, good fiscal management by staff, and the focus on long-term impacts of decisions.

Student Growth

During the 1990's and early 2000's the District experienced tremendous student growth, followed by a period of decline due to the recession in 2008. The past few years enrollment has remained relatively flat. The October enrollment for the past 18 years is displayed in the chart on the next page.

Residential development is returning to the District. In the past three years, on average 80 permits per year have been issued. In comparison in the six prior years an average of only 26 permits per year were issued.

There are still approximately 17 future developments composing of approximately 1,550 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 existing schools. These projects are anticipated to be funded through a combination of state reimbursement, developer fees, and local 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.

In June 2017 the District Educational Center (DEC) broke ground and was completed in the summer of 2018. The DEC will house Administration, Educational Services, Human Resources and Fiscal Services.

As shown in the table below, by the end of 2018 fiscal year the District had invested \$148.86 million in a range of capital assets, including land, site improvements, school buildings, administrative buildings, and equipment. Depreciation expense for the year was \$4.80 million.

Dry Creek J.E.S.D.				
Comparative Schedule of Capital Assets (net of depreciation)				
		June 30, 2018		June 30, 2017
Land	\$	19,784,706	\$	19,784,706
Site Improvements		5,583,983		6,366,875
Buildings		112,815,402		115,958,092
Equipment		711,654		1,028,786
Work-In-Progress		9,963,520		2,499,675
Total	\$	148,859,265	\$	145,638,134

District Indebtedness

As of June 30, 2018 the District has \$134.18 million of long-term liabilities as shown in the table below. This increase of \$8.43 million is primarily due to increases in the Net Pension Liability.

Management's Discussion and Analysis

Payments for the Mello Roos and General Obligation Bonds reduced debt by \$2.43 million, these bonds are financed by the local taxpayers through voter-approved elections. During the 2017-18 year the District completed the refinancing of \$4.85 million General Obligation Bonds resulting in taxpayer savings of \$173 thousand. Additional details regarding indebtedness may be found in the Notes section of the financial statements.

Dry Creek J.E.S.D.			
Comparative Schedule of Long-Term Liabilities			
		June 30, 2018	June 30, 2017
General Obligation Bonds	\$	38,195,614	\$ 39,858,679
Mello Roos Bonds		7,471,743	8,243,413
Accreted Interest		15,441,392	15,014,281
Unamortized Premiums		3,891,562	4,206,504
Compensated Absences		165,190	157,893
Net Pension Liability		69,010,000	58,267,000
Total	\$	134,175,501	\$ 125,747,770

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 92% of total General Fund revenues for 2017-18 were from state sources or formulas.
- Retirement contributions to California State Teachers Retirement System (CalSTRS) and Public Employee Retirement System (CalPERS) are raising significantly resulting in increased expenditures.

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, 8849 Cook Riolo Road, Roseville, California 95747.

BASIC FINANCIAL STATEMENTS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 33,433,078
Receivables	2,442,680
Stores inventory	483
Prepaid expenses	3,635
Non-depreciable capital assets (Note 4)	29,748,226
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>119,111,039</u>
Total assets	<u>184,739,141</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	1,623,360
Deferred outflows of resources - pensions (Notes 7 and 8)	<u>21,288,098</u>
Total deferred outflows of resources	<u>22,911,458</u>
LIABILITIES	
Accounts payable	3,901,094
Unearned revenue	46,600
Long-term liabilities (Note 5):	
Due within one year	4,270,920
Due after one year	<u>129,904,581</u>
Total liabilities	<u>138,123,195</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	25,790
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>3,296,000</u>
Deferred inflows of resources	<u>3,321,790</u>
NET POSITION	
Net investment in capital assets	103,549,968
Restricted:	
Legally restricted programs	4,115,994
Capital projects	7,024,353
Debt service	6,590,518
Unrestricted	<u>(55,075,219)</u>
Total net position	<u><u>\$ 66,205,614</u></u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 46,051,029	\$ 3,629	\$ 6,933,783	\$ 311,159	\$ (38,802,458)
Instruction-related services:					
Supervision of instruction	2,157,819	-	193,629	-	(1,964,190)
Instructional library, media and technology	441,961	-	-	-	(441,961)
School site administration	4,245,369	-	162,248	-	(4,083,121)
Pupil services:					
Home-to-school transportation	891,826	-	2,837	-	(888,989)
Food services	23,837	-	-	-	(23,837)
All other pupil services	3,126,518	48	755,873	-	(2,370,597)
General administration:					
Data processing	950,314	-	11,285	-	(939,029)
All other general administration	2,888,575	686	130,315	-	(2,757,574)
Plant services	9,657,961	157,740	461,113	-	(9,039,108)
Ancillary services	152,292	-	5,553	-	(146,739)
Interest on long-term liabilities	2,954,368	-	-	-	(2,954,368)
Other outgo	906,590	253,532	144,891	-	(508,167)
Total governmental activities	<u>\$ 74,448,459</u>	<u>\$ 415,635</u>	<u>\$ 8,801,527</u>	<u>\$ 311,159</u>	<u>(64,920,138)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					17,873,833
Taxes levied for debt service					5,983,303
Federal and state aid not restricted to specific purposes					38,773,669
Interest and investment earnings					244,476
Miscellaneous					<u>579,840</u>
Total general revenues					<u>63,455,121</u>
Change in net position					(1,465,017)
Net position, July 1, 2017					<u>67,670,631</u>
Net position, June 30, 2018					<u>\$ 66,205,614</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2018

	General Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS							
Cash and investments:							
Cash in County Treasury	\$ 14,791,780	\$ 1,325,840	\$ 5,028,241	\$ 3,030,714	\$ 4,150,704	\$ 2,652,052	\$ 30,979,331
Cash in revolving fund	20,000	-	-	-	-	-	20,000
Cash with Fiscal Agent	-	-	-	-	-	2,433,747	2,433,747
Receivables	2,419,005	2,015	7,656	3,906	6,067	4,031	2,442,680
Stores inventory	483	-	-	-	-	-	483
Prepaid expenditures	3,635	-	-	-	-	-	3,635
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 17,234,903</u>	<u>\$ 1,327,855</u>	<u>\$ 5,035,897</u>	<u>\$ 3,034,620</u>	<u>\$ 4,156,771</u>	<u>\$ 5,089,830</u>	<u>\$ 35,879,876</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,812,050	\$ 526,176	\$ 591,191	\$ 459,004	\$ -	\$ -	\$ 3,388,421
Unearned revenue	46,600	-	-	-	-	-	46,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,858,650</u>	<u>526,176</u>	<u>591,191</u>	<u>459,004</u>	<u>-</u>	<u>-</u>	<u>3,435,021</u>
Fund balances:							
Nonspendable	24,118	-	-	-	-	-	24,118
Restricted	3,314,315	-	4,444,706	386,532	4,156,771	5,089,830	17,392,154
Committed	3,539,278	801,679	-	2,189,084	-	-	6,530,041
Assigned	208,324	-	-	-	-	-	208,324
Unassigned	8,290,218	-	-	-	-	-	8,290,218
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>15,376,253</u>	<u>801,679</u>	<u>4,444,706</u>	<u>2,575,616</u>	<u>4,156,771</u>	<u>5,089,830</u>	<u>32,444,855</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 17,234,903</u>	<u>\$ 1,327,855</u>	<u>\$ 5,035,897</u>	<u>\$ 3,034,620</u>	<u>\$ 4,156,771</u>	<u>\$ 5,089,830</u>	<u>\$ 35,879,876</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 June 30, 2018

Total fund balances - Governmental Funds	\$	32,444,855
--	----	------------

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 \$220,591,971 and the accumulated depreciation is \$71,732,706 (Note 4).

148,859,265

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, 2018 consisted of (Note 5):

General Obligation Bonds	\$	(38,195,614)
Special Tax Bonds - Mello-Roos		(7,471,743)
Accreted interest		(15,441,392)
Unamortized premiums		(3,891,562)
Compensated absences		(165,190)
Net pension liability (Notes 7 and 8)		<u>(69,010,000)</u>

(134,175,501)

Deferred outflows and inflows 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.

1,623,360
(25,790)

1,597,570

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	\$	21,288,098
Deferred inflows of resources relating to pensions		<u>(3,296,000)</u>

17,992,098

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

(512,673)

Total net position - governmental activities

\$ 66,205,614

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, 2018

	General Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:							
Local control funding formula:							
State apportionment	\$ 37,286,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,286,956
Local sources	<u>17,034,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,034,428</u>
Total local control funding formula	<u>54,321,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,321,384</u>
Federal sources	2,194,741	-	-	-	-	-	2,194,741
Other state sources	5,784,594	-	-	357,187	1,424,686	311,184	7,877,651
Other local sources	<u>2,882,861</u>	<u>22,217</u>	<u>377,719</u>	<u>35,897</u>	<u>3,060,625</u>	<u>1,596,458</u>	<u>7,975,777</u>
Total revenues	<u>65,183,580</u>	<u>22,217</u>	<u>377,719</u>	<u>393,084</u>	<u>4,485,311</u>	<u>1,907,642</u>	<u>72,369,553</u>
Expenditures:							
Current:							
Certificated salaries	33,619,697	-	-	-	-	-	33,619,697
Classified salaries	8,010,073	-	2,273	-	-	-	8,012,346
Employee benefits	14,507,809	-	356	-	-	-	14,508,165
Books and supplies	2,859,662	-	35,455	-	-	4,662	2,899,779
Contract services and operating expenditures	4,489,517	-	34,336	6,110	-	108,652	4,638,615
Other outgo	798,590	-	-	-	-	-	798,590
Capital outlay	174,087	782,203	6,535,540	505,378	-	-	7,997,208
Debt service:							
Principal retirement	-	-	-	-	1,798,589	771,670	2,570,259
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,103,986</u>	<u>606,553</u>	<u>2,710,539</u>
Total expenditures	<u>64,459,435</u>	<u>782,203</u>	<u>6,607,960</u>	<u>511,488</u>	<u>3,902,575</u>	<u>1,491,537</u>	<u>77,755,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>724,145</u>	<u>(759,986)</u>	<u>(6,230,241)</u>	<u>(118,404)</u>	<u>582,736</u>	<u>416,105</u>	<u>(5,385,645)</u>
Other financing sources (uses):							
Transfers in	18,676	-	311,184	719,311	-	-	1,049,171
Transfers out	(719,311)	-	-	(18,676)	-	(311,184)	(1,049,171)
Proceeds from the issuance of long-term liabilities	-	-	-	-	-	4,990,524	4,990,524
Deposit to refunding escrow	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,882,523)</u>	<u>(4,882,523)</u>
Total other financing sources (uses)	<u>(700,635)</u>	<u>-</u>	<u>311,184</u>	<u>700,635</u>	<u>-</u>	<u>(203,183)</u>	<u>108,001</u>
Net change in fund balances	23,510	(759,986)	(5,919,057)	582,231	582,736	212,922	(5,277,644)
Fund balances, July 1, 2017	<u>15,352,743</u>	<u>1,561,665</u>	<u>10,363,763</u>	<u>1,993,385</u>	<u>3,574,035</u>	<u>4,876,908</u>	<u>37,722,499</u>
Fund balances, June 30, 2018	<u>\$ 15,376,253</u>	<u>\$ 801,679</u>	<u>\$ 4,444,706</u>	<u>\$ 2,575,616</u>	<u>\$ 4,156,771</u>	<u>\$ 5,089,830</u>	<u>\$ 32,444,855</u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds \$ (5,277,644)

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). \$ 8,061,973

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (4,803,529)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the government-wide statements, only the resulting gain or loss is reported (Note 4). (37,313)

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt (Note 5). (4,990,524)

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). 183,017

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). 2,570,259

Payments made to the refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5). 4,855,000

Accreted interest is an expense that is not recorded in the governmental funds (Note 5). (427,111)

Unmatured interest is an expense that is not recorded in the governmental funds. 27,788

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). (1,619,636)

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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).

(7,297) 3,812,627

Change in net position of governmental activities

\$ (1,465,017)

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2018

	Student Body Fund	Warrant Pass- Through Fund
ASSETS		
Cash in County Treasury (Note 2)	\$ -	\$ 515,056
Cash on hand and in banks (Note 2)	<u>109,378</u>	<u>-</u>
Total assets	<u><u>\$ 109,378</u></u>	<u><u>\$ 515,056</u></u>
LIABILITIES		
Due to others	<u><u>\$ 109,378</u></u>	<u><u>\$ 515,056</u></u>

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

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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.

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

Special Reserve Fund - The Special Reserve Fund is a capital project fund used to account for resources used for the acquisition of capital facilities by the District.

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.

B - Other Funds

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 County School Facilities Funds.

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.

Agency Funds - The Agency Funds are used to account for the various funds for which the District acts as an agent. The District maintains ten agency funds, one each for the student body organizations at Heritage Oak School, Antelope Meadows School, Antelope Crossing School, Quail Glen School, Olive Grove School, Coyote Ridge School, Silverado Middle School, Barrett Ranch School, Creekview Ranch School and a Warrant Pass-Through Fund.

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.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

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 acquisition 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 shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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 gain on refunding reported, which is in the statement of net position. A deferred gain 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 shorter life of the refunded or refunding debt. Additionally, 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.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 17,200,177	\$ 4,087,921	\$ 21,288,098
Deferred inflows of resources	\$ 3,144,000	\$ 152,000	\$ 3,296,000
Net pension liability	\$ 56,093,000	\$ 12,917,000	\$ 69,010,000
Pension expense	\$ 8,771,895	\$ 2,276,402	\$ 11,048,297

Compensated Absences: Compensated absence benefits in the amount of \$165,190 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 STRP and PERF B 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 legally restricted program represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, the Superintendent has been designated with the authority to assign fund balances.

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2018, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 30,979,331	\$ 515,056
Deposits:		
Cash in revolving fund	20,000	-
Cash on hand and in banks	-	109,378
Cash with Fiscal Agent	<u>2,433,747</u>	<u>-</u>
Total	<u>\$ 33,433,078</u>	<u>\$ 624,434</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Placer County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits: Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. 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, 2018, the carrying amount of the District's accounts was \$129,378 and the bank balance was \$130,043, 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, 2018.

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, 2018, 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, 2018, 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, 2018.

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

Transfers for the 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve Fund for future purchase of technology, furniture and equipment.	\$ 607,955
Transfer from the General Fund to the Special Reserve Fund for repayment of purchases.	111,356
Transfer from the Special Reserve Fund to the General Fund for for equipment purchase.	18,676
Transfer from the County School Facilities Fund to the Capital Facilities Fund for the repayment of expenses.	<u>311,184</u>
	<u><u>\$ 1,049,171</u></u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance June 30, <u>2018</u>
Non-depreciable:					
Land	\$ 19,784,706	\$ -	\$ -	\$ -	\$ 19,784,706
Work-in-process	2,499,675	7,775,666	-	(311,821)	9,963,520
Depreciable:					
Improvement of sites	20,078,401	10,760	-	-	20,089,161
Buildings	163,334,941	244,899	175,040	311,821	163,716,621
Equipment	<u>7,040,520</u>	<u>30,648</u>	<u>33,205</u>	<u>-</u>	<u>7,037,963</u>
Totals, at cost	<u>212,738,243</u>	<u>8,061,973</u>	<u>208,245</u>	<u>-</u>	<u>220,591,971</u>
Less accumulated depreciation:					
Improvement of sites	(13,711,526)	(793,652)	-	-	(14,505,178)
Buildings	(47,376,849)	(3,662,665)	(138,295)	-	(50,901,219)
Equipment	<u>(6,011,734)</u>	<u>(347,212)</u>	<u>(32,637)</u>	<u>-</u>	<u>(6,326,309)</u>
Total accumulated depreciation	<u>(67,100,109)</u>	<u>(4,803,529)</u>	<u>(170,932)</u>	<u>-</u>	<u>(71,732,706)</u>
Capital assets, net	<u>\$ 145,638,134</u>	<u>\$ 3,258,444</u>	<u>\$ 37,313</u>	<u>\$ -</u>	<u>\$ 148,859,265</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 19,624
Supervision of instruction	7,347
Home-to-school transportation	132,587
Food services	1,782
All other pupil services	807
Ancillary	392
All other general administration	6,133
Data processing	23,361
Plant services	<u>4,611,496</u>
Total depreciation expense	<u>\$ 4,803,529</u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 468,784	\$ 1,191,216	\$ 1,660,000
2020	457,985	1,282,015	1,740,000
2021	453,584	1,376,416	1,830,000
2022	448,128	1,471,872	1,920,000
2023	<u>449,587</u>	<u>1,565,413</u>	<u>2,015,000</u>
Totals	<u>\$ 2,278,068</u>	<u>\$ 6,886,932</u>	<u>\$ 9,165,000</u>

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 785,000	\$ 15,700	\$ 800,700
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	<u>2,973,344</u>	<u>10,416,656</u>	<u>13,390,000</u>
Totals	<u>\$ 3,758,344</u>	<u>\$ 10,432,356</u>	<u>\$ 14,190,700</u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 40,000	\$ 2,750	\$ 42,750
2020	50,000	1,000	51,000
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	-	-	-
2034-2038	3,191,965	14,008,035	17,200,000
2039-2043	3,098,069	20,406,931	23,505,000
2044-2048	<u>1,938,644</u>	<u>23,296,356</u>	<u>25,235,000</u>
Totals	<u>\$ 8,318,678</u>	<u>\$ 57,715,072</u>	<u>\$ 66,033,750</u>

2016 General Obligation Refunding Bonds: On August 1, 2016, the District issued General Obligation Refunding Bonds in the amount of \$19,360,000 to advance refund a portion of the General Obligation Bonds, Election of 2008, Series 2008 and 2009 and to pay cost of issuance of cost of the Refunding Bonds. 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. As of June 30, 2018, \$20,150,000 of bonds outstanding are considered defeased.

The Bonds mature serially in varying amounts during the succeeding years through 2034, with interest rates varying from 1.00% to 5.00%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 100,000	\$ 721,500	\$ 821,500
2020	915,000	715,425	1,630,425
2021	1,080,000	689,250	1,769,250
2022	1,230,000	643,050	1,873,050
2023	1,395,000	590,550	1,985,550
2024-2028	9,940,000	1,886,375	11,826,375
2029-2033	3,870,000	266,200	4,136,200
2034	<u>320,000</u>	<u>6,400</u>	<u>326,400</u>
Totals	<u>\$ 18,850,000</u>	<u>\$ 5,518,750</u>	<u>\$ 24,368,750</u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

2018 General Obligation Refunding Bonds: On March 16, 2018, the District issued General Obligation Refunding Bonds in the amount of \$4,990,524. The Refunding Bonds were issued to accomplish a advance refunding of the District's General Obligation Bonds, Election of 2007, Refunding Bonds. 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 2026, with interest rates of 2.65%. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 618,590	\$ 107,521	\$ 726,111
2020	671,493	106,959	778,452
2021	669,026	89,197	758,223
2022	700,368	71,053	771,421
2023	739,772	51,971	791,743
2024-2026	<u>1,591,275</u>	<u>42,653</u>	<u>1,633,928</u>
Totals	<u>\$ 4,990,524</u>	<u>\$ 469,354</u>	<u>\$ 5,459,878</u>

Although the advance refundings resulted in the recognition of an accounting gain of \$30,086 for the year ended June 30, 2018, the District in effect reduced its aggregate debt service payments by \$172,878 over the next 6 years and obtained an economic gain of \$155,558.

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

Old debt service cash flows	\$ 5,632,756
New debt service cash flows	<u>5,459,878</u>
Total cash flow difference	<u>\$ 172,878</u>
Present value of old debt service cash flows	\$ 5,146,082
Present value of new debt service cash flows	<u>4,990,524</u>
Economic gain	<u>\$ 155,558</u>

Series 1999 Special Tax Bonds: On August 1, 1999, the District issued Mello-Roos Bonds in the amount of \$5,254,153 to provide funds for the advance refunding of Series 1995 Special Tax Bonds 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.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 69,763	\$ 135,237	\$ 205,000
2020	<u>36,979</u>	<u>78,021</u>	<u>115,000</u>
Totals	<u>\$ 106,742</u>	<u>\$ 213,258</u>	<u>\$ 320,000</u>

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.

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 705,000	\$ 293,912	\$ 998,912
2020	765,000	260,688	1,025,688
2021	935,000	218,188	1,153,188
2022	1,010,000	174,612	1,184,612
2023	980,000	129,913	1,109,913
2024-2028	2,780,000	217,856	2,997,856
2029	<u>190,000</u>	<u>2,850</u>	<u>192,850</u>
Totals	<u>\$ 7,365,000</u>	<u>\$ 1,298,019</u>	<u>\$ 8,663,019</u>

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 39,858,679	\$ 4,990,524	\$ 6,653,589	\$ 38,195,614	\$ 1,912,374
Special Tax Bonds - Mello-Roos	8,243,413	-	771,670	7,471,743	774,763
Accreted interest	15,014,281	1,811,852	1,384,741	15,441,392	1,326,452
Unamortized premium	4,206,504	-	314,942	3,891,562	257,331
Compensated absences	157,893	165,190	157,893	165,190	-
Net pension liability (Notes 7 and 8)	<u>58,267,000</u>	<u>10,743,000</u>	<u>-</u>	<u>69,010,000</u>	<u>-</u>
	<u>\$ 125,747,770</u>	<u>\$ 17,710,566</u>	<u>\$ 9,282,835</u>	<u>\$ 134,175,501</u>	<u>\$ 4,270,920</u>

Payments relating to the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments relating to the Mello-Roos Bonds are made from the Mello-Roos Fund. Payments on the compensated absences are made from the fund for which the related employee worked.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:							
Revolving cash fund	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	483	-	-	-	-	-	483
Prepaid expenditures	<u>3,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,635</u>
Subtotal nonspendable	<u>24,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,118</u>
Restricted:							
Legally restricted programs	3,314,315	-	-	-	-	-	3,314,315
Capital projects	-	-	4,444,706	386,532	-	2,656,083	7,487,321
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,156,771</u>	<u>2,433,747</u>	<u>6,590,518</u>
Subtotal restricted	<u>3,314,315</u>	<u>-</u>	<u>4,444,706</u>	<u>386,532</u>	<u>4,156,771</u>	<u>5,089,830</u>	<u>17,392,154</u>
Committed:							
Planned program carryover	284,373	-	-	-	-	-	284,373
Instructional materials	2,166,773	-	-	-	-	-	2,166,773
Lottery	1,088,132	-	-	-	-	-	1,088,132
Capital projects	-	-	-	2,189,084	-	-	2,189,084
Deferred maintenance	<u>-</u>	<u>801,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>801,679</u>
Subtotal committed	<u>3,539,278</u>	<u>801,679</u>	<u>-</u>	<u>2,189,084</u>	<u>-</u>	<u>-</u>	<u>6,530,041</u>
Assigned:							
Program carryover	<u>208,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,324</u>
Unassigned:							
Designated for economic uncertainty	8,087,241	-	-	-	-	-	8,087,241
Undesignated	<u>202,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,977</u>
Subtotal unassigned	<u>8,290,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,290,218</u>
Total fund balances	<u>\$15,376,253</u>	<u>\$ 801,679</u>	<u>\$ 4,444,706</u>	<u>\$ 2,575,616</u>	<u>\$ 4,156,771</u>	<u>\$ 5,089,830</u>	<u>\$32,444,855</u>

(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>.

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.

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.

Contributions: 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 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

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.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the CalSTRS 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 CalSTRS 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)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
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, 2021 to			
June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$4,749,177 to the plan for the fiscal years ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to				
June 30, 2046	2.017%	(3)	2.50%	(3)
July 1, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 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 would be reduced to 0 percent.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

At June 30, 2018, 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	\$ 56,093,000
State's proportionate share of the net pension liability associated with the District	<u>33,184,000</u>
Total	<u><u>\$ 89,277,000</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.061 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$8,771,895 and revenue of \$3,567,562 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 207,000	\$ 978,000
Changes of assumptions	10,392,000	-
Net differences between projected and actual earnings on investments	-	1,494,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,852,000	672,000
Contributions made subsequent to measurement date	<u>4,749,177</u>	<u>-</u>
Total	<u><u>\$ 17,200,177</u></u>	<u><u>\$ 3,144,000</u></u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

\$4,749,177 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, 2019. 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 <u>June 30,</u>	
2019	\$ 512,583
2020	\$ 2,694,583
2021	\$ 1,890,083
2022	\$ 427,417
2023	\$ 1,771,667
2024	\$ 2,010,667

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 the June 30, 2017 measurement date. 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.

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement period</u>	
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 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 AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 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.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	<u>\$ 82,362,000</u>	<u>\$ 56,093,000</u>	<u>\$ 34,773,000</u>

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>.

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.

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 districts first join PERF B, 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.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed \$1,111,921 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$12,917,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District’s proportion was 0.054 percent, which was no change from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,276,402. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 463,000	\$ -
Changes of assumptions	1,887,000	152,000
Net differences between projected and actual earnings on investments	447,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	179,000	-
Contributions made subsequent to measurement date	<u>1,111,921</u>	<u>-</u>
Total	<u>\$ 4,087,921</u>	<u>\$ 152,000</u>

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

\$1,111,921 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, 2019. 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,

2020	\$ 870,333
2021	\$ 1,302,333
2022	\$ 895,833
2022	\$ (244,500)

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 4 years as of the June 30, 2017 measurement date. 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.

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	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, 2016 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.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1 - 10 (1)</u>	<u>Expected Real Rate of Return Years 11+ (2)</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period

(2) An expected inflation rate of 3.00% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 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.

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 rounded 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 adjusted to account for assumed administrative expenses.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 19,006,000</u>	<u>\$ 12,917,000</u>	<u>\$ 7,867,000</u>

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, 2017 (the latest information available).

Total assets	\$ 96,388,316
Total deferred outflows	\$ 265,300
Total liabilities	\$ 33,613,907
Total deferred inflows	\$ 41,239
Total net position	\$ 62,998,470
Total revenues	\$ 91,193,928
Total expenses	\$ 85,707,759
Change in net position	\$ 5,486,169

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

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2017 (the latest information available):

Total assets	\$ 12,938,796
Total liabilities	\$ 6,141,634
Net position	\$ 6,797,162
Total revenues	\$ 41,248,511
Total expenses	\$ 39,954,224
Change in net position	\$ 1,294,287

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, 2018

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Local control funding formula:				
State apportionment	\$ 36,998,194	\$ 37,617,138	\$ 37,286,956	\$ (330,182)
Local sources	<u>16,801,112</u>	<u>16,651,493</u>	<u>17,034,428</u>	<u>382,935</u>
Total local control funding formula	<u>53,799,306</u>	<u>54,268,631</u>	<u>54,321,384</u>	<u>52,753</u>
Federal sources	2,029,561	2,705,417	2,194,741	(510,676)
Other state sources	4,243,148	5,663,233	5,784,594	121,361
Other local sources	<u>2,443,162</u>	<u>2,880,806</u>	<u>2,882,861</u>	<u>2,055</u>
Total revenues	<u>62,515,177</u>	<u>65,518,087</u>	<u>65,183,580</u>	<u>(334,507)</u>
Expenditures:				
Current:				
Certificated salaries	33,724,028	33,706,734	33,619,697	87,037
Classified salaries	8,116,342	8,146,836	8,010,073	136,763
Employee benefits	14,262,202	14,600,773	14,507,809	92,964
Books and supplies	2,181,217	3,192,127	2,859,662	332,465
Contract services and operating expenditures	4,769,634	5,291,426	4,489,517	801,909
Other outgo	855,038	961,060	798,590	162,470
Capital outlay	<u>85,098</u>	<u>190,905</u>	<u>174,087</u>	<u>16,818</u>
Total expenditures	<u>63,993,559</u>	<u>66,089,861</u>	<u>64,459,435</u>	<u>1,630,426</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,478,382)</u>	<u>(571,774)</u>	<u>724,145</u>	<u>1,295,919</u>
Other financing sources (uses):				
Transfers in	-	18,676	18,676	-
Transfers out	<u>(110,207)</u>	<u>(719,311)</u>	<u>(719,311)</u>	<u>-</u>
Total other financing sources (uses)	<u>(110,207)</u>	<u>(700,635)</u>	<u>(700,635)</u>	<u>-</u>
Net change in fund balance	(1,588,589)	(1,272,409)	23,510	1,295,919
Fund balance, July 1, 2017	<u>15,352,743</u>	<u>15,352,743</u>	<u>15,352,743</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 13,764,154</u>	<u>\$ 14,080,334</u>	<u>\$ 15,376,253</u>	<u>\$ 1,295,919</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 DEFERRED MAINTENANCE FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2018

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues:				
Other local sources	\$ 15,632	\$ 20,598	\$ 22,217	\$ 1,619
Total revenues	<u>15,632</u>	<u>20,598</u>	<u>22,217</u>	<u>1,619</u>
Expenditures:				
Current:				
Contract services and operating expenditures	-	2,500	-	2,500
Capital outlay	<u>435,567</u>	<u>847,660</u>	<u>782,203</u>	<u>65,457</u>
Total expenditures	<u>435,567</u>	<u>850,160</u>	<u>782,203</u>	<u>67,957</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(419,935)</u>	<u>(829,562)</u>	<u>(759,986)</u>	<u>69,576</u>
Net change in fund balance	(419,935)	(829,562)	(759,986)	69,576
Fund balance, July 1, 2017	<u>1,561,665</u>	<u>1,561,665</u>	<u>1,561,665</u>	-
Fund balance, June 30, 2018	<u>\$ 1,141,730</u>	<u>\$ 732,103</u>	<u>\$ 801,679</u>	<u>\$ 69,576</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.059%	0.060%	0.059%	0.061%
District's proportionate share of the net pension liability	\$ 34,649,000	\$ 40,314,000	\$ 47,626,000	\$ 56,093,000
State's proportionate share of the net pension liability associated with the District	<u>20,923,000</u>	<u>21,322,000</u>	<u>27,115,000</u>	<u>33,184,000</u>
Total net pension liability	<u>\$ 55,572,000</u>	<u>\$ 61,636,000</u>	<u>\$ 74,741,000</u>	<u>\$ 89,277,000</u>
District's covered payroll	\$ 26,409,000	\$ 27,793,000	\$ 29,346,000	\$ 32,146,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.051%	0.053%	0.054%	0.054%
District's proportionate share of the net pension liability	\$ 5,744,000	\$ 7,846,000	\$ 10,641,000	\$ 12,917,000
District's covered payroll	\$ 5,311,000	\$ 5,893,000	\$ 6,464,000	\$ 6,899,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.14%	164.62%	187.23%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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

All years prior to 2015 are not available.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 2,468,043	\$ 3,148,843	\$ 4,051,332	\$ 4,749,177
Contributions in relation to the contractually required contribution	<u>(2,468,043)</u>	<u>(3,148,843)</u>	<u>(4,051,332)</u>	<u>(4,749,177)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,793,000	\$ 29,346,000	\$ 32,146,000	\$ 32,912,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 693,643	\$ 765,757	\$ 960,402	\$ 1,111,921
Contributions in relation to the contractually required contribution	<u>(693,643)</u>	<u>(765,757)</u>	<u>(960,402)</u>	<u>(1,111,921)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,893,000	\$ 6,464,000	\$ 6,899,000	\$ 7,159,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

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

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015 and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement period</u>		
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2018

	General Obligation Bond Building Fund	County School Facilities Fund	Mello-Roos Fund	Total
ASSETS				
Cash in County Treasury	\$ 2,652,052	\$ -	\$ -	\$ 2,652,052
Cash with Fiscal Agent	-	-	2,433,747	2,433,747
Receivables	<u>4,031</u>	<u>-</u>	<u>-</u>	<u>4,031</u>
Total assets	<u>\$ 2,656,083</u>	<u>\$ -</u>	<u>\$ 2,433,747</u>	<u>\$ 5,089,830</u>
LIABILITIES AND FUND BALANCES				
Fund balances:				
Restricted	\$ 2,656,083	\$ -	\$ 2,433,747	\$ 5,089,830
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,656,083</u>	<u>-</u>	<u>2,433,747</u>	<u>5,089,830</u>
Total liabilities and fund balances	<u>\$ 2,656,083</u>	<u>\$ -</u>	<u>\$ 2,433,747</u>	<u>\$ 5,089,830</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2018

	General Obligation Bond Building Fund	County School Facilities Fund	Mello-Roos Fund	Total
Revenues				
Other state sources	\$ -	\$ 311,184	\$ -	\$ 311,184
Other local sources	<u>42,649</u>	<u>-</u>	<u>1,553,809</u>	<u>1,596,458</u>
Total revenues	<u>42,649</u>	<u>311,184</u>	<u>1,553,809</u>	<u>1,907,642</u>
Expenditures:				
Current:				
Books and supplies	4,662	-	-	4,662
Contract services and operating expenditures	108,652	-	-	108,652
Debt service:				
Principal retirement	-	-	771,670	771,670
Interest	<u>-</u>	<u>-</u>	<u>606,553</u>	<u>606,553</u>
Total expenditures	<u>113,314</u>	<u>-</u>	<u>1,378,223</u>	<u>1,491,537</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(70,665)</u>	<u>311,184</u>	<u>175,586</u>	<u>416,105</u>
Other financing sources (uses):				
Transfers out	-	(311,184)	-	(311,184)
Proceeds from the issuance of long-term liabilities	4,990,524	-	-	4,990,524
Deposit to refunding escrow	<u>(4,882,523)</u>	<u>-</u>	<u>-</u>	<u>(4,882,523)</u>
Total other financing sources (uses)	<u>108,001</u>	<u>(311,184)</u>	<u>-</u>	<u>(203,183)</u>
Net change in fund balances	37,336	-	175,586	212,922
Fund balances, July 1, 2017	<u>2,618,747</u>	<u>-</u>	<u>2,258,161</u>	<u>4,876,908</u>
Fund balances, June 30, 2018	<u>\$ 2,656,083</u>	<u>\$ -</u>	<u>\$ 2,433,747</u>	<u>\$ 5,089,830</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Heritage Oak School</u>				
Assets:				
Cash on hand and in banks	\$ 824	\$ -	\$ 269	\$ 555
Liabilities:				
Due to student groups	\$ 824	\$ -	\$ 269	\$ 555
<u>Antelope Meadows School</u>				
Assets:				
Cash on hand and in banks	\$ 1,093	\$ -	\$ -	\$ 1,093
Liabilities:				
Due to student groups	\$ 1,093	\$ -	\$ -	\$ 1,093
<u>Antelope Crossing School</u>				
Assets:				
Cash on hand and in banks	\$ 39,444	\$ 150,399	\$ 149,920	\$ 39,923
Liabilities:				
Due to student groups	\$ 39,444	\$ 150,399	\$ 149,920	\$ 39,923
<u>Quail Glen School</u>				
Assets:				
Cash on hand and in banks	\$ 267	\$ 5	\$ 5	\$ 267
Liabilities:				
Due to student groups	\$ 267	\$ 5	\$ 5	\$ 267

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Olive Grove School</u>				
Assets:				
Cash on hand and in banks	\$ 1,094	\$ 100	\$ 346	\$ 848
Liabilities:				
Due to student groups	\$ 1,094	\$ 100	\$ 346	\$ 848
<u>Coyote Ridge School</u>				
Assets:				
Cash on hand and in bank	\$ 1,046	\$ -	\$ -	\$ 1,046
Liabilities:				
Due to student groups	\$ 1,046	\$ -	\$ -	\$ 1,046
<u>Silverado Middle School</u>				
Assets:				
Cash on hand and in bank	\$ 46,089	\$ 171,545	\$ 177,026	\$ 40,608
Liabilities:				
Due to student groups	\$ 46,089	\$ 171,545	\$ 177,026	\$ 40,608
<u>Barrett Ranch School</u>				
Assets:				
Cash on hand and in bank	\$ 834	\$ 142	\$ 922	\$ 54
Liabilities:				
Due to student groups	\$ 834	\$ 142	\$ 922	\$ 54
<u>Creekview Ranch Middle School</u>				
Assets:				
Cash on hand and in bank	\$ 26,227	\$ 45,621	\$ 46,864	\$ 24,984
Liabilities:				
Due to student groups	\$ 26,227	\$ 45,621	\$ 46,864	\$ 24,984

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<u>Total - All Student Body Agency Funds</u>				
Assets:				
Cash on hand and in banks	<u>\$ 116,918</u>	<u>\$ 367,812</u>	<u>\$ 375,352</u>	<u>\$ 109,378</u>
Liabilities:				
Due to student groups	<u>\$ 116,918</u>	<u>\$ 367,812</u>	<u>\$ 375,352</u>	<u>\$ 109,378</u>

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

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, 2018, the District is operating seven elementary schools and two middle schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bill Schuetz	President	December 2018
Tracy Pittman	Clerk	December 2018
Diane Howe	Member	December 2018
Scott Otsuka	Member	December 2020
Jeff Randall	Member	December 2020

ADMINISTRATION

Bradley Tooker
Superintendent

James Ferguson
Assistant Superintendent, Administrative Services

Roger Van Putten
Chief Business Officer

Sara Wegner
Assistant Superintendent, Educational Services

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

	Second Period <u>Report</u>	Annual <u>Report</u>
Certificate #	D6142731	6137B052
Elementary:		
Transitional Kindergarten through Third	6,596	6,601
Fourth through Sixth	12	12
Seventh and Eighth	16	18
Special Education	<u>1</u>	<u>2</u>
Totals	<u><u>6,625</u></u>	<u><u>6,633</u></u>

See accompanying notes to supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2018

<u>Grade Level</u>	Statutory 1986-87 Minutes Require- ment	2017-2018 Actual Minutes	Number of Days Traditional Calendar	<u>Status</u>
Kindergarten	36,000	42,834	180	In Compliance
Grade 1	50,400	50,994	180	In Compliance
Grade 2	50,400	50,994	180	In Compliance
Grade 3	50,400	50,994	180	In Compliance
Grade 4	54,000	54,474	180	In Compliance
Grade 5	54,000	54,474	180	In Compliance
Grade 6	54,000	55,569	180	In Compliance
Grade 7	54,000	55,569	180	In Compliance
Grade 8	54,000	55,569	180	In Compliance

See accompanying notes to supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 851,653
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	23,027
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	13682	110,219
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	14468	<u>88,992</u>
	Subtotal Special Education Cluster		<u>1,073,891</u>
	NCLB: Title III Programs:		
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	15346	90,350
84.365	NCLB: Title III: Immigrant Education	15146	<u>17,407</u>
	Subtotal NCLB: Title III Programs		<u>107,757</u>
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	682,616
84.367	NCLB: Title II, Part A, Teacher Quality	14341	<u>105,339</u>
	Total U.S. Department of Education		<u>1,969,603</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	<u>108,867</u>
	Total U.S. Department of Health and Human Services		<u>108,867</u>
	Total Federal Programs		<u>\$ 2,078,470</u>

See accompanying notes to supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

See accompanying notes to supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the Year Ended June 30, 2018
 (UNAUDITED)

	(Budget) <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 69,162,787	\$ 65,202,256	\$ 62,532,303	\$ 61,653,557
Expenditures	70,545,928	64,459,435	61,408,025	55,372,809
Other uses and transfers out	<u>1,129,328</u>	<u>719,311</u>	<u>2,016,429</u>	<u>5,649,655</u>
Total outgo	<u>71,675,256</u>	<u>65,178,746</u>	<u>63,424,454</u>	<u>61,022,464</u>
Change in fund balance	<u>\$ (2,512,469)</u>	<u>\$ 23,510</u>	<u>\$ (892,151)</u>	<u>\$ 631,093</u>
Ending fund balance	<u>\$ 12,863,784</u>	<u>\$ 15,376,253</u>	<u>\$ 15,352,743</u>	<u>\$ 16,244,894</u>
Available reserves	<u>\$ 7,063,066</u>	<u>\$ 8,290,218</u>	<u>\$ 8,169,365</u>	<u>\$ 8,332,164</u>
Designated for economic uncertainties	<u>\$ 6,496,661</u>	<u>\$ 8,087,241</u>	<u>\$ 5,433,633</u>	<u>\$ 6,770,519</u>
Undesignated fund balance	<u>\$ 566,405</u>	<u>\$ 202,977</u>	<u>\$ 2,735,732</u>	<u>\$ 1,561,645</u>
Available reserves as percentages of total outgo	<u>9.9%</u>	<u>12.7%</u>	<u>12.8%</u>	<u>13.7%</u>
Total long-term liabilities	<u>\$ 129,904,581</u>	<u>\$ 134,175,501</u>	<u>\$ 125,747,770</u>	<u>\$ 116,601,922</u>
Average daily attendance at P-2	<u>6,612</u>	<u>6,625</u>	<u>6,540</u>	<u>6,501</u>

The General Fund fund balance has decreased by \$237,548 over the past three years. The District projects a decrease of \$2,512,469 for the year ending June 30, 2019. 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 deficits in one of the past three years and anticipates incurring an operating deficit during the year ending June 30, 2019.

Total long-term liabilities have increased by \$17,573,579 over the past two years.

Average daily attendance has increased by 124 over the past two years and is anticipated to decrease by 13 during the year ending June 30, 2019.

See accompanying notes to supplementary information.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

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.

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

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. The District neither met nor exceeded its target funding. 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

The Schedule of Expenditure of Federal Awards includes the federal award activity of Dry Creek Joint Elementary School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 2,194,741
Deduct: Medi-Cal Billing funds not spent in the current fiscal year	93.778	<u>(116,271)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 2,078,470</u>

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.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES (continued)

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 2018-2019 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

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, 2018, 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 *2017-18 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, 2018.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	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
Apprenticeship: Related and Supplemental Instruction	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before 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
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
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 NonclassroomBased Instruction, for charter schools	No, see below
Annual Instructional Minutes ClassroomBased, 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 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 did not report any ADA related to Independent Study - Course Based; therefore, we did not perform any testing of Independent Study - Course Based ADA.

The District did not have any school sites that did not submit their immunization assessment report; therefore, we did not perform any testing related to Immunizations.

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 Dry Creek Joint Elementary School District's compliance with state laws and regulations as listed above 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 the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Dry Creek Joint Elementary School District's compliance with the state laws and regulations listed above 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 on Compliance with State Laws and Regulations

In our opinion, Dry Creek Joint Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

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 *2017-18 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 LLP

Crowe LLP

Sacramento, California
October 26, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise Dry Creek Joint Elementary School District's basic financial statements, and have issued our report thereon dated October 26, 2018.

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 LLP

Crowe LLP

Sacramento, California
October 26, 2018

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 Compliance Supplement* that could have a direct and material effect on Dry Creek Joint Elementary School District's major federal program for the year ended June 30, 2018. Dry Creek Joint Elementary School District's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 its major federal program for the year ended June 30, 2018.

(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 Uniform Guidance, 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Sacramento, California
October 26, 2018

FINDINGS AND RECOMMENDATIONS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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 2 CFR 200.516(a)? Yes X No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

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

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

DRY CREEK JOINT ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2017-01	Implemented.	
<u>Condition:</u> At Quail Glen Elementary School one pupil was incorrectly classified as Free & Reduced Meal Program (FRPM).		
<u>Recommendation:</u> The District should have procedures in place to verify that the records maintained by the District matches what is reported in CalPADS.		