

January 16, 2024

Bradley Johnson
Superintendent/CBO
Dehesa Elementary School District
4612 Dehesa Road
El Cajon, CA 92019-2922

Re: 2023-24 First Interim Report

Dear Superintendent Johnson:

Our office has completed its review of the Dehesa School District's First Interim Report (SACS Form 01I) in compliance with the provisions of Education Code Section 42130 et seq. The district has submitted a positive certification, which means that the district will meet its financial obligations for the current fiscal year and subsequent two years.

The district's First Interim Report has been analyzed in the context of guidance provided by the San Diego County Superintendent of Schools and the 2023-24 State Budget Act and appears to adequately reflect the financial status of the district as of October 31, 2023.

In accordance with the provisions of Education Code Section 42131, the County Superintendent of Schools will inform the California Department of Education that your district submitted a positive certification, and we concur with this certification at this time.

Multi-Year Projections / Deficit Spending / Reserve for Economic Uncertainties

The First Interim Report projects the following impacts to the unrestricted general fund:

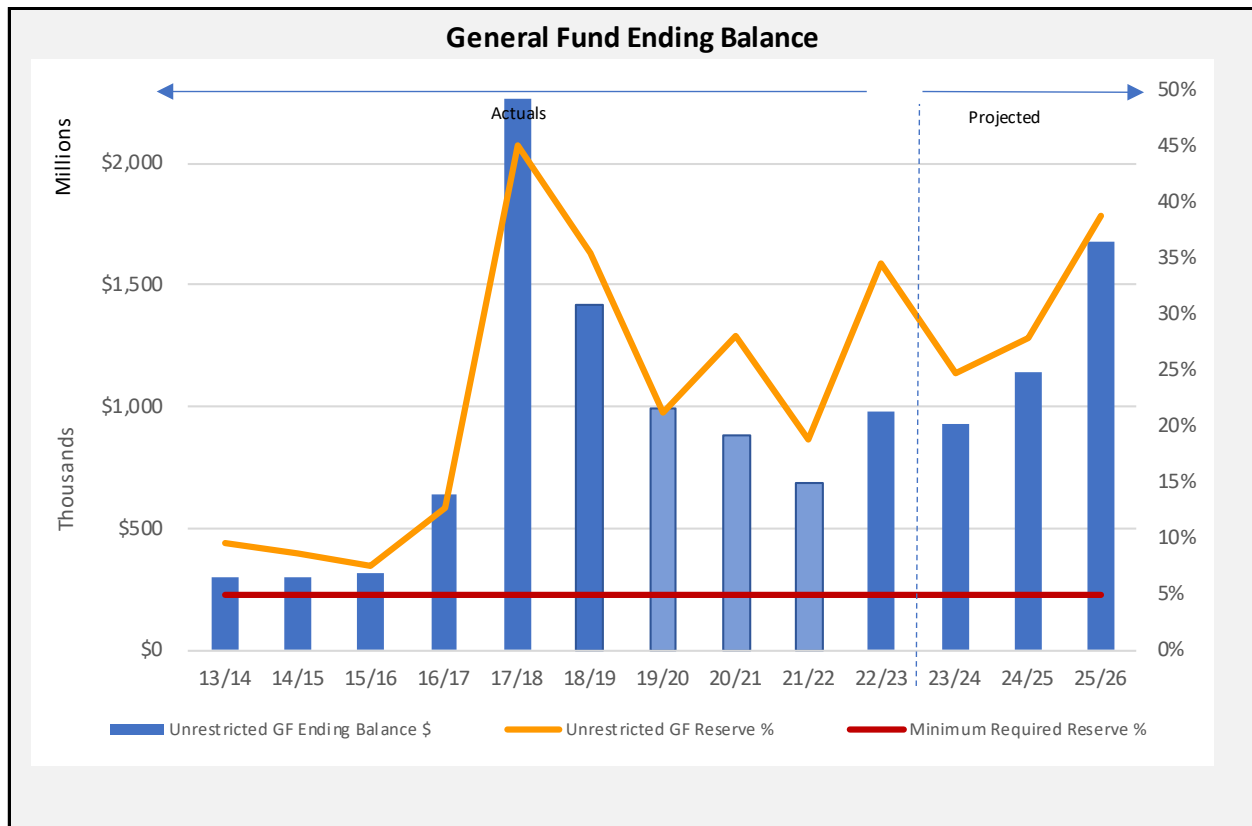
- Projected unrestricted surplus/deficit spending
 - 2023-24 = Deficit <\$ 47,000>
 - 2024-25 = Surplus \$213,000
 - 2025-26 = Surplus \$531,000

- Projected unrestricted ending fund balance
 - 2023-24 = \$ 932,000
 - 2024-25 = \$1,145,000
 - 2025-26 = \$1,676,000

The state requires the district to maintain a reserve for economic uncertainties equal to 5% of expenditures. We have reviewed the district’s assumptions for the multi-year projection, and they appear to be reasonable. Based upon these assumptions, the district will meet the required reserve percentage.

Unrestricted General Fund Ending Balance and Reserve Trend

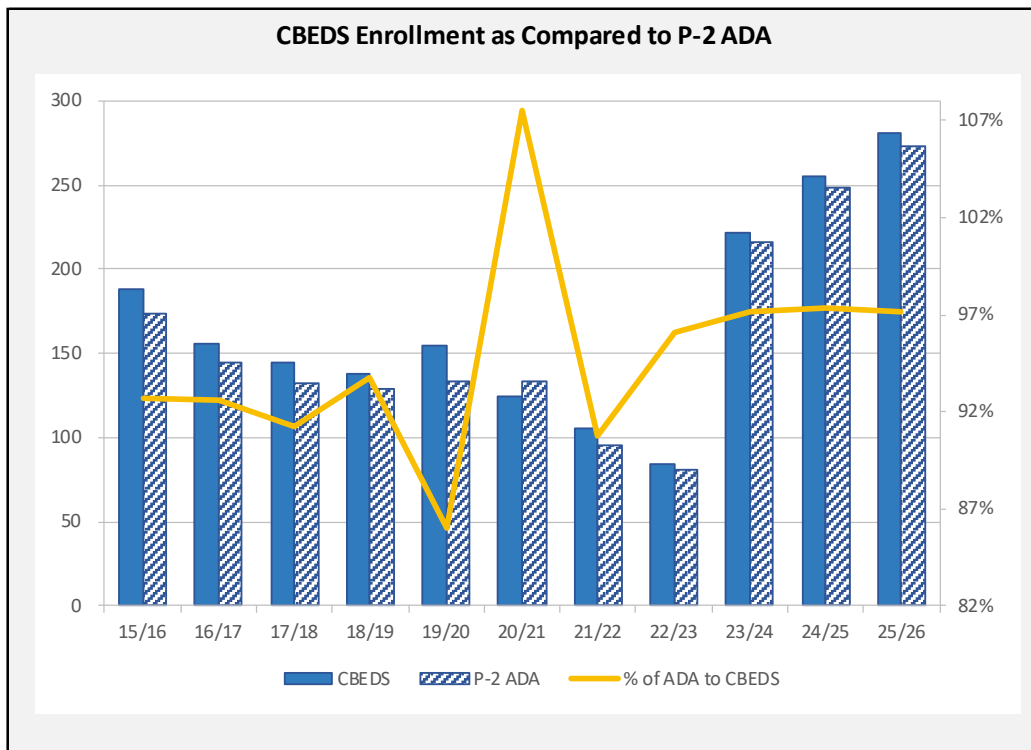
The following chart displays the district’s ending fund balance and reserve status from fiscal year 2013-14 through the projection period.



Enrollment and Average Daily Attendance (ADA)

Historical enrollment and attendance figures, as well as the assumptions included in the district’s multi-year projection, are presented in the chart below. The district established two new independent study programs in 2023-24: Dehesa Method Sports Academy and the SoCal Scholars Academy. Since these programs commenced, the district’s enrollment increased by 138 students in 2023-24. The district projects that enrollment will grow by an additional 10% per year throughout the multi-year projection. Since a significant portion of the district’s funding is based on ADA, we recommend the district continue to monitor enrollment and attendance and update projections accordingly.

The graph reflects the hold harmless prior year ADA in 2020-21, which is causing an inflated percentage of ADA to enrollment. Also, due to an elevated number of absences from pandemic concerns, the attendance ratio dropped to 90.73% in fiscal year 2021-22. The district is projecting that its attendance rate will increase from 96.10% in 2022-23 to 97.19% in 2023-24. We encourage the district to be conservative in these projections.



Cash Flow

The cash flow submitted with the 2023-24 First Interim Report projects positive cash balances for all months in 2023-24. It is imperative that the district continue to closely monitor cash balances in all funds and prepare cash flow projections for the next 18-24 months for the General Fund, as well as the Cafeteria Fund.

Transfers to Other Funds

The district estimates that the General Fund will have to transfer \$25,000 to the Cafeteria Fund to cover operating expenses in 2023-24. The district should explore ways to contain costs in programs creating encroachment. Alternatively, the district can explore developing ongoing revenue sources to fund the encroachment.

Local Control Accountability Plan (LCAP)

The district should compare the amount of supplemental and concentration grant funds projected for the current year with budgeted and actual expenditures for planned actions to increase or improve services to unduplicated pupils. Education Code 42238.07(d) requires any unspent supplemental and concentration funds to be carried forward and spent on actions that contribute toward meeting the increased or improved services requirement. The carryover calculation must be completed as part of the annual update process of the LCAP.

The mid-year update to the 2023-24 LCAP and Budget Overview for Parents is required to be presented on or before February 28, 2024 at a regularly scheduled meeting of the governing board. There is not a requirement for school districts to use a particular template. It is up to each school district to determine how to present and report the required information to their local governing board.

Charter Schools

The District is the authorizing agency of the following Charter Schools:

- Cabrillo Point Academy
- Diego Hills Central Public Charter
- Method Schools
- Pacific Coast Academy
- The Heights Charter School

As the authorizing agency, the district maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance accounting, budgeting, and payroll. Please see Education Code Section 47604.32 for a detailed list of oversight duties.

The district should review charter budget reports at each cycle: budget, first interim, second interim, and unaudited actuals. It is also the district's responsibility to transmit these reports to our office by the deadline. Please coordinate with your district's charter schools in advance to ensure that the deadline is met.

Should any circumstances arise related to the district's charter schools that would negatively impact the financial condition of the district, please notify this office as soon as possible.

Bradley Johnson, Superintendent

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Conclusion

The district maintains the required reserve levels throughout the multi-year projection. Although the district meets the minimum required reserve, the district should continue to closely monitor enrollment and attendance to ensure that actual ADA is aligned with the district's budget and multi-year projection. We appreciate the district's efforts to ensure fiscal solvency. Should any adverse circumstances arise, which would negatively impact the financial condition of the district, please notify this office as soon as possible.

On January 10, 2024, the Governor released his budget proposal for next fiscal year. The proposal revised the cost-of-living-adjustment (COLA) projection from 3.94% down to 0.76% for fiscal year 2024-25. This change will likely reduce the projected revenues from the amounts incorporated in the district's First Interim Report. At this time, the Governor's proposal will make its way through the legislature during the next several months before a final budget bill is passed in the summer. We encourage the district to remain conservative in budget assumptions, and to develop alternative budget scenarios and cash flow projections to prepare for potential reductions in future funding.

If you have any questions concerning this review, please feel free to call me at (858) 295-6702 or Lori Wigg, Business Advisor, at (858) 295-6607. This letter can be found on our website at:

<https://www.sdcoe.net/administrative-services/business-services/district-financial-services/business-advisory-services>.

Sincerely,



Brent Watson
Executive Director
District Financial Services

BW: LW: VS

cc: Cindy White, Board President, Dehesa Elementary School District