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DEHESA SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA
AUDIT REPORT
JUNE 30, 2003

DEHESA SCHOOL DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2003

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DEHESA SCHOOL DISTRICT

FINANCIAL SECTION

JUNE 30, 2003

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dehesa School District
El Cajon, California

We have audited the accompanying general-purpose financial statements of the Dehesa School District as of and for the year ended June 30, 2003, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Dehesa School District as of June 30, 2003 and the results of its operations and nonexpendable trust funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2003 on our consideration of the Dehesa School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITORS' REPORT

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Our audit was performed for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying financial information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Dehesa School District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Hasaka, Nagel & Company

San Diego, California
October 18, 2003

**DEHESA SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

ASSETS	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES			ACCOUNT GROUPS			TOTAL--MEMORANDUM ONLY
	General	Special Revenue	Capital Projects	Trust and Agency Funds	Fixed Assets	General Long-Term Debt	June 30, 2003	June 30, 2002			
Cash in County Treasury	\$ 618,037	\$ 328,072	\$ 369,129	\$ 2,980	\$ -	\$ -	\$ 1,318,218	\$ 1,148,945			
Cash on Hand and in Banks	-	665	-	18,572	-	-	19,237	15,014			
Cash in Revolving Cash Fund	1,000	-	-	-	-	-	1,000	1,000			
Accounts Receivable	-	-	-	-	-	-	-	-			
Federal and State Governments	251,521	4,176	-	-	-	-	255,697	19,075			
Other	130,148	59,554	1,800	-	-	-	191,502	22,917			
Due From Other Funds	22,089	9,764	-	-	-	-	31,853	19,517			
Land, Building, and Improvements	-	-	-	-	1,831,653	-	1,831,653	1,822,203			
Equipment	-	-	-	-	1,024,348	-	1,024,348	924,578			
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-	-	25,981	25,981	22,435			
TOTAL ASSETS	1,022,795	402,231	370,929	21,552	2,856,001	25,981	4,699,489	3,995,684			
LIABILITIES AND FUND EQUITY											
Liabilities											
Accounts Payable	439,033	7	-	-	-	-	439,040	120,369			
Due To Other Funds	9,764	18,500	3,589	-	-	-	31,853	19,517			
General Long-Term Debt	-	-	-	-	-	25,981	25,981	22,435			
Trust Accounts	-	-	-	18,572	-	-	18,572	14,349			
Deferred Revenue	-	-	-	-	-	-	-	1,083			
Total Liabilities	448,797	18,507	3,589	18,572	-	25,981	515,446	177,753			
Fund Equity											
Investment in General Fixed Assets	-	-	-	-	2,856,001	-	2,856,001	2,746,781			
Fund Balance	573,998	383,724	367,340	2,980	-	-	1,325,062	87,820			
Reserves and Designations	-	-	-	-	-	-	2,980	983,330			
Undesignated	-	-	-	-	-	-	-	-			
Total Fund Equity	573,998	383,724	367,340	2,980	2,856,001	-	4,184,043	3,817,931			
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,022,795	\$ 402,231	\$ 370,929	\$ 21,552	\$ 2,856,001	\$ 25,981	\$ 4,699,489	\$ 3,995,684			

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

REVENUES	GOVERNMENTAL FUND TYPES			TOTAL--MEMORANDUM ONLY
	General	Special Revenue	Capital Projects	June 30, 2003
				June 30, 2002
Revenue Limit Sources				
State Apportionment	\$ 746,535	\$ -	\$ -	\$ 746,535
Local Sources	626,266	-	-	626,266
Total Revenue Limit	1,372,801	-	-	1,372,801
Federal Revenue	162,045	21,388	-	183,433
Other State Revenue	413,461	5,887	-	419,348
Other Local Revenue	458,101	91,307	47,756	597,164
Total Revenues	2,406,408	118,582	47,756	2,572,746
				1,919,061

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	GOVERNMENTAL FUND TYPES			TOTAL--MEMORANDUM ONLY
	General	Special Revenue	Capital Projects	June 30, 2003
EXPENDITURES	June 30, 2002	June 30, 2003	June 30, 2002	June 30, 2002
Certificated Salaries	654,817	-	-	596,457
Classified Salaries	345,757	38,718	-	374,854
Employee Benefits	178,349	4,168	-	175,934
Books and Supplies	91,280	57,228	700	125,643
Services and Other Operating Expenditures	96,820	5,127	46,524	158,042
Capital Outlay	92,740	16,480	-	33,548
Other Outgo	716,670	-	3,589	150,663
Total Expenditures	2,176,433	121,721	50,813	1,615,141
Excess Revenues Over (Under) Expenditures	229,975	(3,139)	(3,057)	303,920
Other Financing Sources (Uses)				
Operating Transfers In	-	50,685	5,919	6,328
Operating Transfers (Out)	(50,685)	(5,919)	-	(6,328)
Transfers (To) From Charter School	(19,420)	52,533	-	-
Total Other Financing Sources (Uses)	(70,105)	97,299	5,919	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	159,870	94,160	2,862	303,920
Fund Balances - Beginning	414,128	289,564	364,478	764,250
Fund Balances - Ending	\$ 573,998	\$ 383,724	\$ 367,340	\$ 1,068,170

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

REVENUES	GENERAL			SPECIAL REVENUE			CAPITAL PROJECTS			TOTAL--MEMORANDUM ONLY		
	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)
Revenue Limit Sources												
State Apportionment	\$ 367,537	\$ 746,535	\$ 378,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,537	\$ 746,535	\$ 378,998
Local Sources	489,976	626,266	136,290	-	-	-	-	-	-	489,976	626,266	136,290
Total Revenue Limit	857,513	1,372,801	515,288	-	-	-	-	-	-	857,513	1,372,801	515,288
Federal Revenue	83,696	162,045	78,349	18,500	21,388	2,888	-	-	-	102,196	183,433	81,237
Other State Revenue	265,081	413,461	148,380	5,200	5,887	687	-	-	-	270,281	419,348	149,067
Other Local Revenue	151,137	458,101	306,964	51,600	91,307	39,707	45,010	47,756	2,746	247,747	597,164	349,417
Total Revenues	1,357,427	2,406,408	1,048,981	75,300	118,582	43,282	45,010	47,756	2,746	1,477,737	2,572,746	1,095,009

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (CONTINUED)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	GENERAL			SPECIAL REVENUE			CAPITAL PROJECTS			TOTAL--MEMORANDUM ONLY		
	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)
EXPENDITURES												
Certificated Salaries	654,818	654,817	1	-	-	-	-	-	-	654,818	654,817	1
Classified Salaries	345,765	345,757	8	38,719	38,718	1	-	-	-	384,484	384,475	9
Employee Benefits	211,314	178,349	32,965	4,169	4,168	1	-	-	-	215,483	182,517	32,966
Books and Supplies	106,467	91,280	15,187	57,232	57,228	4	700	700	-	164,399	149,208	15,191
Services and Other												
Operating Expenditures	102,754	96,820	5,934	5,528	5,127	401	46,525	46,524	1	154,807	148,471	6,336
Capital Outlay	92,740	92,740	-	25,000	16,480	8,520	10,000	-	10,000	127,740	109,220	18,520
Other Outgo	798,156	716,670	81,486	-	-	-	3,589	3,589	-	801,745	720,259	81,486
Total Expenditures	2,312,014	2,176,433	135,581	130,648	121,721	8,927	60,814	50,813	10,001	2,503,476	2,348,967	154,509
Excess Revenues Over (Under) Expenditures	(954,587)	229,975	1,184,562	(55,348)	(3,139)	52,209	(15,804)	(3,057)	12,747	(1,025,739)	223,779	1,249,518
Other Financing Sources (Uses)												
Operating Transfers In	-	-	-	5,517	50,685	45,168	-	5,919	5,919	5,517	56,604	51,087
Operating Transfers (Out)	(5,517)	(50,685)	(45,168)	(5,920)	(5,919)	1	-	-	-	(11,437)	(56,604)	(45,167)
Transfers (To) From Charter School	-	(19,420)	(19,420)	-	52,533	52,533	-	-	-	-	33,113	33,113
Total Other Financing Sources (Uses)	(5,517)	(70,105)	(64,588)	(403)	97,299	97,702	-	5,919	5,919	(5,920)	33,113	39,033
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(960,104)	159,870	1,119,974	(55,751)	94,160	149,911	(15,804)	2,862	18,666	(1,031,659)	256,892	1,288,551
Fund Balances - Beginning	414,128	414,128	-	289,564	289,564	-	364,478	364,478	-	1,068,170	1,068,170	-
Fund Balances - Ending	<u>\$ (545,976)</u>	<u>\$ 573,998</u>	<u>\$ 1,119,974</u>	<u>\$ 233,813</u>	<u>\$ 383,724</u>	<u>\$ 149,911</u>	<u>\$ 348,674</u>	<u>\$ 367,340</u>	<u>\$ 18,666</u>	<u>\$ 36,511</u>	<u>\$ 1,325,062</u>	<u>\$ 1,288,551</u>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of accounting policies and other necessary disclosure of pertinent matters relating to financial position and results of operations of the Dehesa School District (the District). The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies
- B. Fund Accounting
- C. Basis of Accounting
- D. Budgets and Budgetary Accounting
- E. Encumbrances
- F. Inventories and Prepaid Items
- G. Deferred Compensation
- H. Compensated Absences
- I. Federal and State Allowances, Awards and Grants
- J. Total Columns on Combined and Combining Statements
- K. Fund Balance Reserves and Designations
- L. Property Tax

NOTE 2 - CASH AND INVESTMENTS

NOTE 3 - RECEIVABLES

NOTE 4 - INTERFUND TRANSACTIONS

NOTE 5 - GENERAL FIXED ASSETS

NOTE 6 - LEASES

NOTE 7 - COMPENSATED ABSENCES

NOTE 8 - GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES

NOTE 9 - DEFERRED REVENUE

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 10 - JOINT POWERS AGREEMENT AND SAN DIEGO COUNTY SCHOOLS
FRINGE BENEFITS CONSORTIUM

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

NOTE 13 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

NOTE 14 - PENDING LITIGATION

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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 equity, revenues, and expenditures or expenses, as appropriate. 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. The District's accounts are organized into three broad categories, which in aggregate include several fund types and account groups as follows:

GOVERNMENTAL FUNDS

General Fund is the general operating fund of the District. It is used to account for all financial resources except those to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

1. Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria.
3. Child Development Fund is used to account for resources committed to child development programs maintained by the District.
4. Special Reserve Other Than Capital Projects Fund is used for the purpose of future technical support.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
2. State School Building Lease-Purchase is used to account for the acquisition of portable classrooms and related equipment from state apportionments.
3. Special Reserve Capital Projects is used to account for funds reserved for future capital expenditures.

FIDUCIARY FUNDS

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one student body fund and one temporary retiree fund for future medicare benefits.

ACCOUNT GROUPS

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet.

Their reported fund balance is considered a measure of "available spendable resources". Thus, the fixed assets and long-term liabilities associated with governmental funds are accounted for in the account groups of the District.

General Fixed Asset Account Group accounts for fixed assets used in governmental fund type organizations.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on General Long-Term Debt which is recognized when due.

Agency Fund assets and liabilities are also accounted for on the modified accrual basis.

The General Fixed Asset account group accounts for fixed assets on the estimated cost and actual cost (for new additions) basis.

D. Budgets and Budgetary Accounting

The District, pursuant to E.C. 42127, has elected to make the single budget adoption. By state law, the District's governing board must approve the single budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. It is these final revised budgets are presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 as of June 30.

F. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

G. Deferred Compensation

The District or the state does not maintain or administer its own deferred compensation plan. However, employees of the District may select an individual private plan and its administrator.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in the general long-term debt account group. For additional information, see Note 7.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense 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 when the employee retires.

I. Federal and State Allowances, Awards and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursement would not be material.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Total Columns on Combined and Combining Statements

Total columns on the combined and combining statements are captioned "Total-Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Total columns on the combined and combining statements for the year ended June 30, 2002, are also captioned "Total-Memorandum Only". These columns are presented only to facilitate financial analysis and do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles.

K. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

The District had the following fund balance reserves and designations at June 30, 2003:

General Fund

Reserved for Revolving Cash	\$ 1,000
Designated for Economic Uncertainties	<u>572,998</u>
Total General Fund	<u>\$573,998</u>

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Balance Reserves and Designations (Continued)

Special Revenue Funds

Special Reserve (Other Than Capital Projects) Designated for Economic Uncertainties	\$ 91,049
Child Development Fund Designated for Economic Uncertainties	31,319
Cafeteria Designated for Economic Uncertainties	567
Deferred Maintenance Designated for Economic Uncertainties	<u>260,789</u>
Total Special Revenue Funds	<u>\$383,724</u>

Capital Projects Funds

Special Reserve Capital Projects Designated for Economic Uncertainties	\$ 5,940
State School Building Fund Designated for Economic Uncertainties	555
Capital Facilities Designated for Economic Uncertainties	<u>360,845</u>
Total Capital Projects Funds	<u>\$367,340</u>

L. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

NOTE 2 - CASH AND INVESTMENTS

Cash at June 30, 2003, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 1,318,218
Deposits:	
Cash on Hand and in Banks	\$ 19,237
Cash in Revolving Fund	\$ 1,000

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash balances held in banks and in revolving funds are insured up to \$100,000 by federal agencies.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

These pooled funds are carried at cost which approximates market value. The difference between cost and market value is considered to be immaterial.

At June 30, 2003, the fair market value of the pooled funds, as determined by the County Treasury, is 100.33% of cost. The District's share of the unrealized gain is as follows:

<u>Carrying Amount</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
<u>\$1,318,218</u>	<u>\$1,322,568</u>	<u>\$4,350</u>

NOTE 3 - RECEIVABLES

The accounts receivable balances at June 30, 2003, consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Federal:					
Categorical					
Aid Programs	\$ 37,158	\$ 3,942	\$ -	\$ -	\$ 41,100
TOTAL FEDERAL	<u>37,158</u>	<u>3,942</u>	<u>-</u>	<u>-</u>	<u>41,100</u>
State:					
Lottery	10,146	-	-	-	10,146
Other	179,384	234	-	-	179,618
Categorical	24,833	-	-	-	24,833
TOTAL STATE	<u>214,363</u>	<u>234</u>	<u>-</u>	<u>-</u>	<u>214,597</u>
Subtotal Federal and State	<u>251,521</u>	<u>4,176</u>	<u>-</u>	<u>-</u>	<u>255,697</u>

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 3 - RECEIVABLES (CONTINUED)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Local:					
Other	126,859	58,043	176	-	185,078
Interest	3,289	1,511	1,624	-	6,424
TOTAL LOCAL	<u>130,148</u>	<u>59,554</u>	<u>1,800</u>	<u>-</u>	<u>191,502</u>
TOTAL	<u>\$ 381,669</u>	<u>\$ 63,730</u>	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ 447,199</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2003, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 22,089	\$ 9,764
Cafeteria	-	13,500
Child Development	-	5,000
Deferred Maintenance	9,764	-
Capital Facilities	<u>-</u>	<u>3,589</u>
TOTAL	<u>\$ 31,853</u>	<u>\$ 31,853</u>

Interfund Transfers

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers (Continued)

Interfund transfers for the 2002-2003 fiscal year are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Special Reserve Other Than Capital Projects	General	\$36,674
Deferred Maintenance	General	14,011
Special Reserve Capital Projects	Special Reserve Other Than Capital Projects	<u>5,919</u>
TOTAL		<u>\$56,604</u>

NOTE 5 - GENERAL FIXED ASSETS

Fixed Assets are recorded at historical cost.

A schedule of changes in General Fixed Assets for the year ended June 30, 2003, are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Land, Buildings and Improvements	\$1,822,203	\$ 9,450	\$ —	\$1,831,653
Equipment	<u>924,578</u>	<u>99,770</u>	<u>—</u>	<u>1,024,348</u>
TOTAL	<u>\$2,746,781</u>	<u>\$109,220</u>	<u>\$ —</u>	<u>\$2,856,001</u>

NOTE 6 - LEASES

A. Capital Leases

The District has entered into a lease purchase arrangement for a 2003 school bus during the year ended June 30, 2003. The purchase price of the school bus was \$109,113, of which a grant in the amount of \$92,740 from the State of California was applied toward the purchase price. The remaining balance of \$16,373 is being financed over a period of five (5) years. Future minimum lease payments are as follows:

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 6 - LEASES (CONTINUED)

A. Capital Leases (Continued)

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2004	\$ 3,589
2005	3,589
2006	3,589
2007	3,589
2008	<u>—</u>
Sub-Total	14,356
Less: Amount Representing Interest	<u>(1,570)</u>
Present Value of Net Minimum Lease Payments	<u>\$12,786</u>

B. Operating Leases

The District has entered into a lease arrangement for two (2) Xerox copiers. Monthly lease payments are \$507 per month for a period of five (5) years. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2004	\$ 6,087
2005	6,087
2006	6,087
2007	6,087
2008	3,550
Thereafter	<u>—</u>
Total	<u>\$27,900</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 7 - COMPENSATED ABSENCES

At June 30, 2003, the liability related to accrued vacation benefits was \$13,195. This amount was calculated by multiplying the accumulated hours of accrued vacation benefits per employee times the hourly rate per employee. The current year change in this liability was not recorded in the General Fund as a current liability since it is not believed to be material. The entire liability for accrued vacation benefits is recorded in the General Long-Term Debt account group. The District's policy is to record expenditures in the period vacations are taken.

NOTE 8 - GENERAL LONG-TERM DEBT - SCHEDULE OF CHANGES

A schedule of changes in Long-Term Debt at June 30, 2003 is as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Accrued Vacation (Note 7)	\$12,013	\$ 1,182	\$ -	\$13,195
Capital Lease (Note 6)	<u>10,422</u>	<u>12,786</u>	<u>10,422</u>	<u>12,786</u>
TOTAL	<u>\$22,435</u>	<u>\$13,968</u>	<u>\$10,422</u>	<u>\$25,981</u>

NOTE 9 - DEFERRED REVENUE

At June 30, 2003, the District did not have any Deferred Revenue.

**NOTE 10 - JOINT POWERS AGREEMENT AND SAN DIEGO COUNTY SCHOOLS
FRINGE BENEFITS CONSORTIUM**

The District entered into a joint powers agreement (JPA) known as and designated "San Diego County Schools Risk Management Joint Powers Authority", a self-insurance plan for workers' compensation, liability, property damage, fire damage, or any other risk or plan authorized by law. The County Superintendent of Schools of San Diego County, California is the administrator of the JPA. The County Superintendent has created a special fund under his control to facilitate the financial transactions.

Previously programs which provide medical, dental, and vision services to District employees were covered under the same agreement. These programs are now covered under separate agreements and are reported on separately as the San Diego County Schools Fringe Benefits Consortium (the Consortium).

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

**NOTE 10 - JOINT POWERS AGREEMENT AND SAN DIEGO COUNTY SCHOOLS
FRINGE BENEFITS CONSORTIUM (CONTINUED)**

The JPA and the Consortium are separate entities which are independently audited. Because the District has a minority voting interest and no administrative authority, the financial transactions of the JPA and the Consortium are not included in this report.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Plan Description and Funding Policy

STRS

Plan Description

The Dehesa School District contributes to the State Teachers' Retirement Systems (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS.

The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

STRS

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Dehesa School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2002-2003 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Dehesa School District's contributions to STRS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$49,666, \$46,202, and \$44,494, respectively, and equal 100% of the required contributions for each year.

CalPERS

Plan Description

The Dehesa School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003**

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Dehesa School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2002-2003 was 13.02% of annual payroll based on PERS reduction transfers. The contribution requirements of the plan members are established by state statute. The Dehesa School District's contributions to CalPERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$34,175, \$30,065, and \$31,504, respectively, and equal 100% of the required contributions for each year.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no instances of excess expenditures over appropriations in any fund.

NOTE 13 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District had no post-employment benefits.

NOTE 14 - PENDING LITIGATION

For the year ended June 30, 2003, the District had no pending litigation.

**DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2003**

ASSETS	Deferred <u>Maintenance</u>	<u>Cafeteria</u>	Child <u>Development</u>	Special Reserve Other <u>Than Capital Projects</u>	TOTAL June 30, 2003	TOTAL MEMORANDUM ONLY June 30, 2002
Cash in County Treasury	\$ 249,915	\$ 7,474	\$ 33,929	\$ 36,754	\$ 328,072	\$ 291,376
Cash on Hand and in Banks	-	200	465	-	665	665
Accounts Receivable	-	4,176	-	-	4,176	3,926
Federal and State Governments	1,110	2,217	1,932	54,295	59,554	2,080
Other	9,764	-	-	-	9,764	5,517
Due From Other Funds	-	-	-	-	-	-
TOTAL ASSETS	<u>260,789</u>	<u>14,067</u>	<u>36,326</u>	<u>91,049</u>	<u>402,231</u>	<u>303,564</u>
 LIABILITIES AND FUND EQUITY						
Liabilities	-	-	7	-	7	-
Accounts Payable	-	-	-	-	-	-
Due To Other Funds	-	13,500	5,000	-	18,500	14,000
Total Liabilities	<u>-</u>	<u>13,500</u>	<u>5,007</u>	<u>-</u>	<u>18,507</u>	<u>14,000</u>
Fund Equity	-	-	-	-	-	-
Fund Balance	260,789	567	31,319	91,049	383,724	-
Designated	-	-	-	-	-	289,564
Undesignated	-	-	-	-	-	-
Total Fund Equity	<u>260,789</u>	<u>567</u>	<u>31,319</u>	<u>91,049</u>	<u>383,724</u>	<u>289,564</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 260,789</u>	<u>\$ 14,067</u>	<u>\$ 36,326</u>	<u>\$ 91,049</u>	<u>\$ 402,231</u>	<u>\$ 303,564</u>

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

REVENUES	Deferred Maintenance	Cafeteria	Child Development	Special Reserve Other Than Capital Projects	TOTAL June 30, 2003	TOTAL ONLY June 30, 2002
Federal Revenue	\$ -	\$ 21,388	\$ -	\$ -	\$ 21,388	\$ 18,340
Other State Revenue	4,613	1,274	-	-	5,887	171,814
Other Local Revenue	5,766	35,804	47,832	1,905	91,307	86,327
TOTAL REVENUES	10,379	58,466	47,832	1,905	118,582	276,481
EXPENDITURES						
Classified Salaries	-	11,943	26,775	-	38,718	36,449
Employee Benefits	-	1,409	2,759	-	4,168	3,688
Books and Supplies	7,536	45,996	3,696	-	57,228	47,987
Services and Other Operating Expenditures	-	-	5,127	-	5,127	6,245
Capital Outlay	16,480	-	-	-	16,480	9,684
Total Expenditures	24,016	59,348	38,357	-	121,721	104,053
Excess Revenues Over (Under) Expenditures	(13,637)	(882)	9,475	1,905	(3,139)	172,428
Other Financing Sources (Uses)						
Operating Transfers In	14,011	-	-	36,674	50,685	6,328
Operating Transfers (Out)	-	-	-	(5,919)	(5,919)	-
Transfer from Charter School	-	-	-	52,533	52,533	-
Total Other Financing Sources (Uses)	14,011	-	-	83,288	97,299	6,328
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	374	(882)	9,475	85,193	94,160	178,756
Fund Balances - Beginning	260,415	1,449	21,844	5,856	289,564	110,808
Fund Balances - Ending	\$ 260,789	\$ 567	\$ 31,319	\$ 91,049	\$ 383,724	\$ 289,564

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

REVENUES	DEFERRED MAINTENANCE			CAFETERIA			CHILD DEVELOPMENT		
	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)	Budget	Actual	Variance-Favorable (Unfav)
Federal Revenue	\$ -	\$ -	\$ -	\$ 18,500	\$ 21,388	\$ 2,888	\$ -	\$ -	\$ -
Other State Revenue	4,000	4,613	613	1,200	1,274	74	-	-	-
Other Local	800	5,766	4,966	20,200	35,804	15,604	30,600	47,832	17,232
Total Revenue	4,800	10,379	5,579	39,900	58,466	18,566	30,600	47,832	17,232
EXPENDITURES									
Classified Salaries	-	-	-	11,943	11,943	-	26,776	26,775	1
Employee Benefits	-	-	-	1,409	1,409	-	2,760	2,759	1
Books and Supplies	7,538	7,536	2	45,997	45,996	1	3,697	3,696	1
Services and Other Operating Expenditures	-	-	-	400	-	400	5,128	5,127	1
Capital Outlay	25,000	16,480	8,520	-	-	-	-	-	-
Total Expenditures	32,538	24,016	8,522	59,749	59,348	401	38,361	38,357	4
Excess Revenues Over (Under) Expenditures	(27,738)	(13,637)	14,101	(19,849)	(882)	18,967	(7,761)	9,475	17,236
Other Financing Sources (Uses)									
Operating Transfers In	5,517	14,011	8,494	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	5,517	14,011	8,494	-	-	-	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(22,221)	374	22,595	(19,849)	(882)	18,967	(7,761)	9,475	17,236
Fund Balances - Beginning	260,415	260,415	-	1,449	1,449	-	21,844	21,844	-
Fund Balances - Ending	\$ 238,194	\$ 260,789	\$ 22,595	\$ (18,400)	\$ 567	\$ 18,967	\$ 14,083	\$ 31,319	\$ 17,236

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (CONTINUED)
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	SPECIAL RESERVE OTHER THAN CAPITAL PROJECTS			TOTAL		
	Budget	Actual	Variance- Favorable (Unfav)	Budget	Actual	Variance- Favorable (Unfav)
REVENUES						
Federal Revenue	\$ -	\$ -	\$ -	\$ 18,500	\$ 21,388	\$ 2,888
Other State Revenue	-	-	-	5,200	5,887	687
Other Local	-	1,905	1,905	51,600	91,307	39,707
Total Revenue	-	1,905	1,905	75,300	118,582	43,282
EXPENDITURES						
Classified Salaries	-	-	-	38,719	38,718	1
Employee Benefits	-	-	-	4,169	4,168	1
Books and Supplies	-	-	-	57,232	57,228	4
Services and Other Operating Expenditures	-	-	-	5,528	5,127	401
Capital Outlay	-	-	-	25,000	16,480	8,520
Total Expenditures	-	-	-	130,648	121,721	8,927
Excess Revenues Over (Under) Expenditures	-	1,905	1,905	(55,348)	(3,139)	52,209
Other Financing Sources (Uses)						
Operating Transfers In	-	36,674	36,674	5,517	50,685	45,168
Operating Transfers (Out)	(5,920)	(5,919)	1	(5,920)	(5,919)	1
Transfer from Charter School	-	52,533	52,533	-	52,533	52,533
Total Other Financing Sources (Uses)	(5,920)	83,288	89,208	(403)	97,299	97,702
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(5,920)	85,193	91,113	(55,751)	94,160	149,911
Fund Balances - Beginning	5,856	5,856	-	289,564	289,564	-
Fund Balances - Ending	\$ (64)	\$ 91,049	\$ 91,113	\$ 233,813	\$ 383,724	\$ 149,911

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL CAPITAL PROJECTS FUNDS
 JUNE 30, 2003

ASSETS	Capital Facilities	State School Building	Special Reserve Capital Projects	TOTAL June 30, 2003	TOTAL MEMORANDUM ONLY June 30, 2002
Cash in County Treasury	\$ 362,657	\$ 553	\$ 5,919	\$ 369,129	\$ 369,682
Accounts Receivable					
Other	1,777	2	21	1,800	2,720
Due From Other Funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>364,434</u></u>	<u><u>555</u></u>	<u><u>5,940</u></u>	<u><u>370,929</u></u>	<u><u>372,402</u></u>
 LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>7,924</u>
Due To Other Funds	3,589	<u> </u>	<u> </u>	3,589	<u> </u>
Total Liabilities	<u>3,589</u>	<u> </u>	<u> </u>	<u>3,589</u>	<u>7,924</u>
Fund Equity					
Fund Balance					
Designated	360,845	555	5,940	367,340	<u> </u>
Undesignated	<u> </u>	<u> </u>	<u> </u>	<u> </u>	364,478
Total Fund Equity	<u>360,845</u>	<u>555</u>	<u>5,940</u>	<u>367,340</u>	<u>364,478</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 364,434</u></u>	<u><u>\$ 555</u></u>	<u><u>\$ 5,940</u></u>	<u><u>\$ 370,929</u></u>	<u><u>\$ 372,402</u></u>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Capital Facilities	State School Building	Special Reserve Capital Projects	TOTAL June 30, 2003	TOTAL MEMORANDUM ONLY June 30, 2002
REVENUES					
Other Local Revenue	\$ 47,722	\$ 13	\$ 21	\$ 47,756	\$ 41,990
Total Revenues	<u>47,722</u>	<u>13</u>	<u>21</u>	<u>47,756</u>	<u>41,990</u>
EXPENDITURES					
Books and Supplies	700	-	-	700	-
Services and Other Operating Expenditures	46,524	-	-	46,524	54,580
Capital Outlay	-	-	-	-	-
Other Outgo	3,589	-	-	3,589	-
Total Expenditures	<u>50,813</u>	<u>-</u>	<u>-</u>	<u>50,813</u>	<u>54,580</u>
Excess Revenues Over (Under) Expenditures	<u>(3,091)</u>	<u>13</u>	<u>21</u>	<u>(3,057)</u>	<u>(12,590)</u>
Other Financing Sources (Uses)					
Operating Transfers In	-	-	5,919	5,919	-
Operating Transfers (Out)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,919</u>	<u>5,919</u>	<u>-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(3,091)</u>	<u>13</u>	<u>5,940</u>	<u>2,862</u>	<u>(12,590)</u>
Fund Balances - Beginning	<u>363,936</u>	<u>542</u>	<u>-</u>	<u>364,478</u>	<u>377,068</u>
Fund Balances - Ending	<u>\$ 360,845</u>	<u>\$ 555</u>	<u>\$ 5,940</u>	<u>\$ 367,340</u>	<u>\$ 364,478</u>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	CAPITAL FACILITIES			STATE SCHOOL BUILDING		
REVENUES	Budget	Actual	Variance- Favorable (Unfav)	Budget	Actual	Variance- Favorable (Unfav)
Other Local Revenue	\$ 45,000	\$ 47,722	\$ 2,722	\$ 10	\$ 13	\$ 3
Total Revenues	45,000	47,722	2,722	10	13	3
EXPENDITURES						
Books and Supplies	700	700	-	-	-	-
Services and Other Operating Expenditures	46,525	46,524	1	-	-	-
Capital Outlay	10,000	-	10,000	-	-	-
Other Outgo	3,589	3,589	-	-	-	-
Total Expenditures	60,814	50,813	10,001	-	-	-
Excess Revenues Over (Under) Expenditures	(15,814)	(3,091)	12,723	10	13	3
Other Financing Sources (Uses)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(15,814)	(3,091)	12,723	10	13	3
Fund Balances - Beginning	363,936	363,936	-	542	542	-
Fund Balances - Ending	\$ 348,122	\$ 360,845	\$ 12,723	\$ 552	\$ 555	\$ 3

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	SPECIAL RESERVE CAPITAL PROJECTS					TOTAL
REVENUES	Budget	Actual	Variance- Favorable (Unfav)	Budget	Actual	Variance- Favorable (Unfav)
Other Local Revenue	\$ -	\$ 21	\$ 21	\$ 45,010	\$ 47,756	\$ 2,746
Total Revenues	-	21	21	45,010	47,756	2,746
EXPENDITURES						
Books and Supplies	-	-	-	700	700	-
Services and Other Operating Expenditures	-	-	-	46,525	46,524	1
Capital Outlay	-	-	-	10,000	-	10,000
Other Outgo	-	-	-	3,589	3,589	-
Total Expenditures	-	-	-	60,814	50,813	10,001
Excess Revenues Over (Under) Expenditures	-	21	21	(15,804)	(3,057)	12,747
Other Financing Sources (Uses)						
Operating Transfers In	-	5,919	5,919	-	5,919	5,919
Operating Transfers (Out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	5,919	5,919	-	5,919	5,919
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	5,940	5,940	(15,804)	2,862	18,666
Fund Balances - Beginning	-	-	-	364,478	364,478	-
Fund Balances - Ending	\$ -	\$ 5,940	\$ 5,940	\$348,674	\$367,340	\$ 18,666

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 2003**

	<u>TRUST FUND RETIREE RETIREMENT FUND</u>	<u>AGENCY FUNDS STUDENT BODY</u>	<u>TOTAL</u>
ASSETS			
Cash in Banks	\$ 2,980	\$ 18,572	\$ 21,552
Accounts Receivable	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL ASSETS	<u><u>2,980</u></u>	<u><u>18,572</u></u>	<u><u>21,552</u></u>
 LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	—	—	—
Due To Student Groups	<u>—</u>	<u>18,572</u>	<u>18,572</u>
Total Liabilities	<u>—</u>	<u>18,572</u>	<u>18,572</u>
 Fund Equity			
Fund Balance	<u>2,980</u>	<u>—</u>	<u>2,980</u>
Total Fund Equity	<u>2,980</u>	<u>—</u>	<u>2,980</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 2,980</u></u>	<u><u>\$ 18,572</u></u>	<u><u>\$ 21,552</u></u>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS--STUDENT BODY
 JUNE 30, 2003**

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
ASSETS				
Cash in Banks	\$ 14,349	\$ 11,759	\$ 7,536	\$ 18,572
Accounts Receivable	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL ASSETS	<u><u>14,349</u></u>	<u><u>11,759</u></u>	<u><u>7,536</u></u>	<u><u>18,572</u></u>
 LIABILITIES				
Accounts Payable	—	—	—	—
Due To Student Groups	<u>14,349</u>	<u>11,759</u>	<u>7,536</u>	<u>18,572</u>
TOTAL LIABILITIES	<u><u>\$ 14,349</u></u>	<u><u>\$ 11,759</u></u>	<u><u>\$ 7,536</u></u>	<u><u>\$ 18,572</u></u>

The notes to the financial statements are an integral part of this statement.

DEHESA SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2003

**DEHESA SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2003**

The Dehesa School District (the District) was established in 1876 and is comprised of approximately 19 square miles, located in San Diego County. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, and sponsors one charter school.

The Board of Trustees for the fiscal year ended June 30, 2003, was composed of the following members:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Denise C. Hujing	President	November, 2006
Jeff F. Royal, Sr.	Vice President	November, 2004
Cynthia White	Clerk	November, 2006
Charles T. Huskey	Member	November, 2006
Janice D. Green	Member	November, 2004

District Superintendent/Principal

Barbara P. Rohrer

See the accompanying notes to supplementary information.

**DEHESA SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten	35.61	38.14
First through Third	78.14	78.64
Fourth through Sixth	<u>81.96</u>	<u>81.57</u>
TOTAL	<u>195.71</u>	<u>198.35</u>

	<u>Hours of Attendance</u>
Summer School	1,649

See the accompanying notes to supplementary information.

**DEHESA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>Grade Level</u>	<u>1986-87 Minutes Requirements</u>	<u>1982-83 Actual Minutes</u>	<u>2002-2003 Actual Minutes</u>	<u>Number of Days Traditional Calendar*</u>	<u>Status</u>
Kindergarten	36,000	34,905	38,554	181	In Compliance
Grades 1 through 3	50,400	47,505	57,471	181	In Compliance
Grades 4 through 8	54,000	55,245	57,471	181	In Compliance
Grades 9 through 12	N/A	N/A	N/A	N/A	N/A

* Multitrack Calendar is not applicable

See the accompanying notes to supplementary information.

**DEHESA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ PASS-THROUGH	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
U.S. Department of Education:			
Passed through California Department of Education (CDE):			
Indian Education	84.060A	10011	\$ 5,643
Title VI REAP	84.358A	14356	20,471
Eisenhower Math	84.281A	13207	200
Federal Class Size Reduction	84.340	13073	42
Maintenance and Operations	84.041	N/A	86,570
IASA Title I	84.010	13797	10,570
Drug Free School	84.186	13453	793
Individual Disability PL94-142	84.027	13379	19,471
IDEA Personnel Development	84.027	13613	42
NCLB Title II	84.367	13340	4,969
Title V/VI Part A	84.298A	N/A	<u>3,889</u>
Total U.S. Department of Education			<u>152,660</u>
U.S. Department of Agriculture:			
Passed through CDE:			
National School Breakfast	10.553	13157	18,540
National School Lunch	10.555	13755	2,849
Wildlife Reserve	10.665	10044	<u>9,384</u>
Total U.S. Department of Agriculture			<u>30,773</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 183,433</u></u>

See the accompanying notes to supplementary information.

**DEHESA SCHOOL DISTRICT
RECONCILIATION OF ANNUAL UNAUDITED ACTUAL FINANCIAL
REPORT (FORM CA) WITH AUDITED FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>General Long-Term Debt Account Group</u>
June 30, 2003, Annual Financial and Budget Report (Form CA) Total Liabilities	<u>\$ 13,195</u>
Adjustments and Reclassifications:	
Increase (Decrease) in Total Liabilities Capital Leases Understatement	<u>12,786</u>
Net Adjustments and Reclassifications	<u>12,786</u>
June 30, 2003, Audited Financial Statement, General Long-Term Debt Total Liabilities	<u><u>\$ 25,981</u></u>

See the accompanying notes to supplementary information.

**DEHESA SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>General Fund</u>	<u>(Budget) 2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues and Other Financial Sources	\$ 1,753,988	\$ 2,406,408	\$ 1,600,590	\$ 1,382,120
Expenditures	1,763,785	2,176,433	1,456,508	1,222,327
Other Uses and Transfers Out	9,764	70,105	6,328	13,523
Total Outgo	1,773,549	2,246,538	1,462,836	1,235,850
Change in Fund Balance	(19,561)	159,870	137,754	146,270
Ending Fund Balance	<u>\$ 554,437</u>	<u>\$ 573,998</u>	<u>\$ 414,128</u>	<u>\$ 276,374</u>
Available Reserves	<u>\$ 553,437</u>	<u>\$ 572,998</u>	<u>\$ 326,308</u>	<u>\$ 218,760</u>
Available Reserves as a Percentage of Total Outgo	31.21%	25.51%	22.31%	17.71%
Total Long-Term Debt	\$ 22,392	\$ 25,981	\$ 22,435	\$ 21,783
Average Daily Attendance at P-2	202	196	170	169

The General Fund balance has increased by \$443,894 (341.95%) over the past three years. The fiscal year 2003-2004 budget projects a decrease of \$19,561 (-3.41%). For a District this size, the State recommends available reserves of at least \$50,000 or 5 percent of total General Fund expenditures, transfers out, and other uses.

The Long-Term Debt has decreased by \$2,848 in the last 3 years.

Average daily attendance has increased by 21 ADA over the past three years. The District anticipates an increase of 6 ADA for the year 2003-2004.

See the accompanying notes to supplementary information.

**DEHESA SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2003**

NOTE 1 - PURPOSE OF TABLES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

D. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the General Long-Term Debt account group as reported on the Unaudited Actual Financial Report (Form CA) with Audited Financial Statements.

E. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

The District does not offer an early retirement incentive program as of June 30, 2003.

DEHESA SCHOOL DISTRICT
OTHER INDEPENDENT AUDITORS' REPORTS SECTION
JUNE 30, 2003

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Dehesa School District
El Cajon, California

We have audited the general-purpose financial statements of the Dehesa School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 18, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Page 2

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hosaka, Nagel & Company

San Diego, California
October 18, 2003

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Dehesa School District
 El Cajon, California

We have audited the general-purpose financial statements of the Dehesa School District, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 18, 2003. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	4	Yes
Kindergarten Continuation	3	Yes
Independent Study	13	No (see below)
Continuation Education	11	Not Applicable
Adult Education	8	Not Applicable
Regional Occupational Center/Programs	4	Not Applicable
Staff Development Days	3	Yes

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Page 2

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Incentive for Longer Instructional Day:		
School District	4	Yes
County Offices of Education	4	Not Applicable
GANN Limit Calculation	1	Yes
Early Retirement Incentive Program	5	Yes
Community Day Schools	8	Not Applicable
Class Size Reduction Program:		
Option One Classes	10	Yes
Option Two Classes	9	Not Applicable
Option One and Two Classes	14	Not Applicable
Program to Reduce Class Size in Two Courses in Grade 9	8	Not Applicable
State Instructional Materials Fund:		
Instructional Materials Funding Realignment Program	9	Yes
Schiff-Bustamante Standards-Based Instructional Materials	9	Yes
Digital High School Education Technology Grant Program	5	Not Applicable
California Public Schools Library Act of 1998	4	Yes
Office of Criminal Justice Planning	—	Not Applicable
Ratios of Administrative Employees to Teachers	3	Yes

We did not perform testing for Independent Study because the ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, the Dehesa School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Dehesa School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hasaka, Nagel & Company

San Diego, California
October 18, 2003

DEHESA SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS SECTION
JUNE 30, 2003

**DEHESA SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003**

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Reporting condition(s) identified not considered to be material weaknesses?

_____ 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

Reporting condition(s) identified not considered to be material weaknesses?

_____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

N/A

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

_____ Yes X No

Identification of major programs

CFDA Number

Name of Federal Program

The District did not have any major programs

Dollar threshold used to distinguish between Type A and Type B programs:

N/A

Auditee qualified as low-risk auditee?

 X Yes _____ No

**DEHESA SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2003**

State Awards

Internal control over state programs:

Material weakness(es) identified? _____ Yes X No

Reporting condition(s) identified not considered
to be material weaknesses? _____ Yes X None reported

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

Unqualified

Section II -- Financial Statement Findings

No matters were reported.

Section III -- Federal Award Findings and Questioned Costs

No matters were reported.

Section IV -- State Award Findings and Questioned Costs

No matters were reported.

**DEHESA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
NONE	N/A	N/A