



**Hosaka, Nagel & Company**

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

**DEHESA SCHOOL DISTRICT**  
**COUNTY OF SAN DIEGO**  
**EL CAJON, CALIFORNIA**  
**AUDIT REPORT**  
**JUNE 30, 2008**

**DEHESA SCHOOL DISTRICT**

**INTRODUCTORY SECTION**

**JUNE 30, 2008**

**DEHESA SCHOOL DISTRICT  
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JUNE 30, 2008**

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**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

This section of Dehesa School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Total Net Assets were \$3,362,087, an increase of \$49,335 from prior year.
- Total Revenues were \$2,575,268 and total cost of basic programs was \$2,525,933.
- Excess Revenues over Expenses totaled \$49,335.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. The basic financials statements present different views of the District as follows:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financials 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 like regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provides more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2008**

Below summarizes the major features of the District's financials statements, including a portion of the District's activities they cover and the types of information they contain.

**Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>Fund Statements</b>		
	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student activities monies (ASB)
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2008**

**District-Wide Statements**

The District-Wide Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-Wide Statements report the District's net assets and how they have changed. Net assets (*the difference between the District's assets and liabilities*) is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The District's activities are represented in the district-wide financial statements.

- *Governmental Activities* – All of the District's basic services are included, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**Fund Financial Statements**

The Fund Financials Statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2008**

The District has two kinds of funds:

- *Governmental Funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets.** The District's combined net assets as of June 30, 2008, were \$3,362,087. (See Table A-1.)

**Table A-1  
Condensed Statement of Net Assets**

	<u>2006-2007</u>	<u>2007-2008</u>
Current and other assets	\$ 1,756,218	\$ 1,800,708
Capital assets	1,752,383	1,673,469
Total assets	<u>\$ 3,508,601</u>	<u>\$ 3,474,177</u>
Other Liabilities	\$ 181,776	\$ 99,478
Long-term debt outstanding	14,073	12,612
Total liabilities	<u>\$ 195,849</u>	<u>\$ 112,090</u>
Net assets:		
Invested in capital assets,		
Net of related debt	\$ 1,752,383	\$ 1,673,469
Restricted	783,617	876,874
Unrestricted	776,752	811,744
Total Net Assets	<u>\$ 3,312,752</u>	<u>\$ 3,362,087</u>



**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2008**

**Changes in Net Assets.** The District's total revenues were \$2,576,022. (See Table A-2). The total cost of all programs and services was \$2,525,933. Total revenues surpassed expenses by \$49,335.

**Table A-2  
Condensed Statement of Activities**

Revenues	<u>2006-2007</u>	<u>2007-2008</u>
Program Revenues		
Charges for Services	\$ 36,151	\$ 31,939
Federal & State Categorical Program:	481,471	862,239
Capital Grants and Contributions	427	384
General Revenues		
Revenue Limit Sources	1,599,085	1,087,219
Federal and State Revenues	335,040	252,981
Local Revenues	<u>690,020</u>	<u>340,506</u>
 Total Revenues	 <u>3,142,194</u>	 <u>2,575,268</u>
 Expenses		
Instructional Services	1,106,624	1,181,500
Instructional-Related Services	262,522	182,740
Pupil Services	280,071	321,530
General Administration	219,880	257,665
Plant Services	220,942	295,916
Other Outgo	<u>874,319</u>	<u>286,582</u>
 Total Expenses	 <u>2,964,358</u>	 <u>2,525,933</u>
 Increase (Decrease) in Net Assets	 <u>\$ 177,836</u>	 <u>\$ 49,335</u>

**Governmental Activities**

The Statement of Activities categorizes the activities presented in Table A-2 by revenue source:

- The cost of all governmental activities this year was \$2,525,933.
- Revenues from users of the District's programs amounted to \$31,939.
- Federal & State Governments subsidized programs contributions was \$862,239.

**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2008**

- Revenues from Revenue Limit Sources was \$1,087,219.
- Local and miscellaneous revenues account for \$340,506.
- Net assets increased by \$49,335.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. The District closed fiscal year 2007-08 with a total combined, governmental fund balance of \$1,701,230.

**General Fund Budgetary Highlights**

Over the course of the year, the Board approves five versions of the operating budget. These budget revisions fall into the categories of Preliminary, Adopted, First Interim, Second Interim, and Final Adopted.

Major budget amendments in revenue for the year include changes in Revenue Limit; Federal Grants such as IDEA Special Ed, Title I, Safe and Drug Free Schools; state amounts such as Special Ed Master Plan, ETA, Class Size Reduction, Lottery, and Instructional Materials.

The District projects deficit spending during budget year 2008-09 to install fiber-optic cabling and upgrade District's network infrastructures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Total investments in capital assets remain at \$3,013,303. These investments include Land, Land Improvements, Building Construction and Equipment. Total depreciation expense for the year was \$78,914.

**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2008**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Table A-4  
Capital Assets**

	<b>2006-2007</b>	<b>2007-2008</b>
Land	\$ 3,000	\$ 3,000
Improvement of Sites	792,224	792,224
Buildings	1,852,207	1,852,207
Equipment	365,872	365,872
Total at Historical Cost	<b>\$3,013,303</b>	<b>\$3,013,303</b>

**Long-Term Debt**

Long-Term Debt for year ended 2007-08 was \$12,611 (\$10,089 accrued vacation, plus an added 25% benefit).

**Table A-5  
Long-Term Debt**

	<b>2006-2007</b>	<b>2007-2008</b>
Compensated Absences	\$ 14,073	\$ 12,612
Total	<b>\$ 14,073</b>	<b>\$ 12,612</b>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the only known circumstance that could significantly affect its financial health in the future would be the District's declining ADA for the second year, the increased number of Special Needs students that the District is unable to educate and the State's continuing economic decline and its impact on the State budget.

**DEHESA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2008**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Daniel B. Menyon, Business Manager, Dehesa School District, 4612 Dehesa Road, El Cajon, California 92019.

*DEHESA SCHOOL DISTRICT*

**DEHESA SCHOOL DISTRICT**

**FINANCIAL SECTION**

**JUNE 30, 2008**

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Dehesa School District  
El Cajon, California

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District as of and for the year ended June 30, 2008, which collectively comprise the Dehesa School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dehesa School District's management. 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 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 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 Dehesa School District as of June 30, 2008, and the respective changes in financial position 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 a report dated November 15, 2008, on our consideration of Dehesa School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

## INDEPENDENT AUDITORS' REPORT

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The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the Dehesa School District's basic financial statements. The supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hosaka, Nagel & Company*

San Diego, California  
November 15, 2008

**DEHESA SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash in County Treasury	\$ 1,508,408
Cash on Hand and in Banks	55,172
Cash in Revolving Fund	1,000
Accounts Receivable	236,128
Capital Assets:	
Land	3,000
Land Improvements, Net of Depreciation	754,199
Buildings, Net of Depreciation	897,955
Equipment, Net of Depreciation	18,315
Total Assets	<u>3,474,177</u>
<b>LIABILITIES:</b>	
Accounts Payable	96,539
Deferred Revenue	2,939
Noncurrent Liabilities:	
Due in more than one year	12,612
Total Liabilities	<u>112,090</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets	1,673,469
Restricted For:	
Capital Projects	396,412
Legally Restricted Balances	177,901
Specific Programs	302,561
Unrestricted	811,744
Total Net Assets	<u>\$ 3,362,087</u>





**DEHESA SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	Other Governmental Funds	Total
<b>ASSETS:</b>						
Cash in County Treasury	\$ 368,441	\$ 209,692	\$ 491,306	376,683	\$ 62,286	\$ 1,508,408
Cash on Hand and in Banks	19,687	-	-	-	35,485	55,172
Cash in Revolving Fund	1,000	-	-	-	-	1,000
Accounts Receivable	219,705	1,809	4,239	3,250	7,125	236,128
Due from Other Funds	2,807	-	-	840	6,167	9,814
Total Assets	<u>\$ 611,640</u>	<u>\$ 211,501</u>	<u>\$ 495,545</u>	<u>\$ 380,773</u>	<u>\$ 111,063</u>	<u>\$ 1,810,522</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 94,982	-	-	-	\$ 1,557	\$ 96,539
Due to Other Funds	7,007	-	-	-	2,807	9,814
Deferred Revenue	2,939	-	-	-	-	2,939
Total Liabilities	<u>104,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,364</u>	<u>109,292</u>
<b>Fund Balance:</b>						
Reserved Fund Balances:						
Reserve for Revolving Cash	1,000	-	-	-	-	1,000
Reserve for Legally Restricted Balance	177,901	-	-	-	-	177,901
Designated Fund Balance:						
Designated for Economic Uncertainties	115,758	-	-	-	-	115,758
Other Designations	161,712	-	-	-	-	161,712
Unreserved	50,341	211,501	495,545	380,773	-	1,138,160
Unreserved, Reported in Nonmajor:						
Special Revenue Funds	-	-	-	-	91,060	91,060
Capital Projects Funds	-	-	-	-	15,639	15,639
Total Fund Balance	<u>506,712</u>	<u>211,501</u>	<u>495,545</u>	<u>380,773</u>	<u>106,699</u>	<u>1,701,230</u>
Total Liabilities and Fund Balances	<u>\$ 611,640</u>	<u>\$ 211,501</u>	<u>\$ 495,545</u>	<u>\$ 380,773</u>	<u>\$ 111,063</u>	<u>\$ 1,810,522</u>

**DEHESA SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

Total fund balances - governmental fund balance sheet	\$ 1,701,230
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,673,469
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(12,612)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 3,362,087</u>

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	Other Governmental Funds	Total
<b>Revenues:</b>						
Revenue Limit Sources:						
State Apportionments	\$ 878,492	-	\$ -	-	-	\$ 878,492
Local Sources	208,727	-	-	-	-	208,727
Federal Revenue	283,673	-	-	-	18,871	302,544
Other State Revenue	312,472	7,648	-	-	1,424	321,544
Other Local Revenue	698,994	9,043	21,004	46,780	88,140	863,961
Total Revenues	<u>2,382,358</u>	<u>16,691</u>	<u>21,004</u>	<u>46,780</u>	<u>108,435</u>	<u>2,575,268</u>
<b>Expenditures:</b>						
Instruction	1,181,500	-	-	-	-	1,181,500
Instruction - Related Services	182,740	-	-	-	-	182,740
Pupil Services	207,055	-	-	-	114,475	321,530
General Administration	178,333	-	-	-	1,879	180,212
Plant Services	276,666	18,253	-	997	-	295,916
Other Outgo	286,582	-	-	-	-	286,582
Total Expenditures	<u>2,312,876</u>	<u>18,253</u>	<u>-</u>	<u>997</u>	<u>116,354</u>	<u>2,448,480</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,482	(1,562)	21,004	45,783	(7,919)	126,788
Other Financing Sources (Uses):						
Transfers In	-	8,397	-	-	-	8,397
Transfers Out	-	-	(8,397)	-	-	(8,397)
Total Other Financing Sources (Uses)	-	8,397	(8,397)	-	-	-
Net Change in Fund Balance	69,482	6,835	12,607	45,783	(7,919)	126,788
Fund Balance, July 1	437,230	204,666	482,938	334,990	114,618	1,574,442
Fund Balance, June 30	<u>\$ 506,712</u>	<u>\$ 211,501</u>	<u>\$ 495,545</u>	<u>\$ 380,773</u>	<u>\$ 106,699</u>	<u>\$ 1,701,230</u>

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds	\$	126,788
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement  of activities ("SOA") are different because:</p>		
The depreciation of capital assets used in governmental activities is not reported in the funds.		(78,914)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		1,461
		1,461
Change in net assets of governmental activities - statement of activities	\$	49,335

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY  
NET ASSETS - FIDUCIARY FUND  
JUNE 30, 2008**

	<u>Agency Fund</u>	<u>Student Body Fund</u>
<b>ASSETS:</b>		
Cash on Hand and in Banks	\$ 15,583	
Total Assets	<u>15,583</u>	
<b>LIABILITIES:</b>		
Due to Student Groups	15,583	
Total Liabilities	<u>15,583</u>	
<b>NET ASSETS:</b>		
Total Net Assets	<u><u>\$ -</u></u>	

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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 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.

**A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting Entity
2. Basis of Presentation, Basis of Accounting
  - a. Basis of Presentation
  - b. Measurement Focus, Basis of Accounting
3. Encumbrances
4. Budgets and Budgetary Accounting
5. Assets, Liabilities, and Equity
  - a. Deposits and Investments
  - b. Stores Inventories and Prepaid Expenditures
  - c. Capital Assets
  - d. Compensated Absences
  - e. Deferred Revenue
  - f. Interfund Activity
  - g. Property Taxes
  - h. Fund Balance Reserves and Designations
  - i. Use of Estimates

**B. - COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions
2. Deficit Fund Balance or Fund Net Assets of Individual Funds

**C. - CASH AND INVESTMENTS**

1. Cash in County Treasury
2. Cash on Hand, in Banks, and in Revolving Fund
3. Analysis of Specific Deposits and Investments

**D. - ACCOUNTS RECEIVABLE**

**E. - INTERFUND BALANCES AND ACTIVITIES**

1. Due To and From Other Funds
2. Transfers To and From Other Funds

**F. - CAPITAL ASSETS**

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

**G. - LONG-TERM OBLIGATIONS**

1. Long-Term Obligation Activity

**H. - OPERATING LEASES**

**I. - LEGALLY RESTRICTED BALANCES**

**J. - JOINT VENTURES (JOINT POWER AGREEMENTS)**

**K. - EMPLOYMENT RETIREMENT SYSTEM**

**L. - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**M. - COMMITMENTS AND CONTINGENCIES**



**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

**A. Summary of Significant 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 accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**1. Reporting Entity**

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No 14, "The Financial Reporting Entity," as amended by GASB Statement NO. 39 "Determining Whether Certain Organizations are Component Units", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

Government-Wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The Fund Financial Statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major government funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

**General Fund.** This is the District's primary operating fund. It accounts for all financial resources of the district except those required to be accounted for in another fund.

The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes.

The Special Reserve Fund for Other than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies to be used at the discretion of the Board of Trustees.

The Capital Facilities Fund is used to account for resources received from the developer impact fees assessed under the provisions of the California Environmental Quality Act (CEQA).

**Non-Major Governmental Funds:**

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

The Child Development Fund is used to account separately for federal, state, and local resources to operate the child development program.

The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

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

The State School Building Lease-Purchase Fund is used to receive funds for a lease buy-back from the State School Facilities Fund authorized by the State allocation Board.

The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes.

In addition, the District reports the following fund types:

Fiduciary Funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements. The fiduciary fund category is agency funds.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The District's agency fund accounts for student body activities (ASB).

b. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

Government Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. 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.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final 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.

Formal budgetary integration was used 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 code. All appropriations lapse at year end.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

5. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury indicates the amount was less than 1% for the year ended June 30, 2008.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. Inventories of the General Fund are immaterial and have been omitted from these statements.

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 purchased.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Site Improvements	20
Equipment	5-20

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as long-term liabilities of the District.

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.

e. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. 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.

h. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund, reserve for stores inventory, and reserve for prepaid expenditures, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

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

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

**C. Cash and Investments**

**1. Cash in County Treasury:**

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 (\$1,513,838 as of June 30, 2008). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,508,408. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**2. Cash on Hand, in Banks, and in Revolving Fund**

Cash balances on hand and in banks (\$70,755 as of June 30, 2008) and in the revolving fund (\$1,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

**3. Analysis of Specific Deposits and Investments**

Cash and Investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Statement of Net Assets:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Cash in County Treasury	Not Rated	\$ 1,508,408
Cash on Hand and in Banks	Not Applicable	55,172
Cash in Revolving Fund	Not Applicable	1,000
Fiduciary Funds:		
Cash on Hand and in Banks	Not Applicable	<u>15,583</u>
Total		<u><u>\$ 1,580,163</u></u>

Cash and Investments as of June 30, 2008, consist of the following:

Cash on Hand	\$ 55,172
Cash in County Treasury	1,508,408
Deposits with Financial Institutions	<u>16,583</u>
Total	<u><u>\$ 1,580,163</u></u>



**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

Investments Authorized by the District's Investment Policy

Education Code Section 41001 and the District's investment policy require operating funds to be deposited into the County Treasury and invested in accordance with the current investment policy of the San Diego County Treasurer. Education Code Section 41015 authorizes the investment of surplus moneys, not required for the immediate necessities of the District in any of the investments specified in Section 16430 or 53601 of the Government Code. Additionally, a variety of operational bank accounts are authorized, including but not limited to: Scholarship Accounts, Clearing Accounts and Revolving Cash Accounts. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. The District held no investments at June 30, 2008.

Disclosures Relating to Interest Rate Risk

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Disclosures Relating to Credit Risk

Generally, Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District held no investments at June 30, 2008.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. The District held no investments at June 30, 2008.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

Custodial Credit Risk

Custodial Credit Risk for investments is the risk that, in the event of the failure of a depository financial institute, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Custodial Credit Risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earnings investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investment are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the investment Company Act of 1940.

**D. Accounts Receivable**

Accounts Receivable as of June 30, 2008, consist of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>General Fund</u>
Federal Government:			
Federal Programs	<u>\$ 43,696</u>	<u>\$ 6,033</u>	<u>\$ 49,729</u>
State Government			
Lottery	9,227	-	9,227
Lottery - Instructional Materials	3,134	-	3,134
Special Education	50,494	-	50,494
Arts & Music Block Grant	2,000	-	2,000
Gifted & Talented (GATE)	904	-	904
Transportation - Home to School	21,409	-	21,409
State Aid	74,454	-	74,454
Child Nutrition Program	-	392	392
Total State Government	<u>161,622</u>	<u>392</u>	<u>162,014</u>
Local	<u>14,387</u>	<u>9,998</u>	<u>24,385</u>
	<u><u>\$ 219,705</u></u>	<u><u>\$ 16,423</u></u>	<u><u>\$ 236,128</u></u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2008, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Fund	\$ 2,807	Short-Term Loans
Other Governmental Fund	General Fund	<u>7,007</u>	Short-Term Loans
	Total	<u><u>\$ 9,814</u></u>	

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers To and From Other Funds at June 30, 2008, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Special Reserve Fund for Other Than Capital Outlay Projects	Deferred Maintenance Fund	\$ 8,397	Matching Contribution
	Total	<u>\$ 8,397</u>	

F. Capital Assets

Capital Asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total Capital Assets, Not Being Depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital Assets, Being Depreciated:				
Buildings	1,852,207	-	-	1,852,207
Improvement of Sites	792,224	-	-	792,224
Equipment	365,872	-	-	365,872
Total Capital Assets, Being Depreciated	<u>3,010,303</u>	<u>-</u>	<u>-</u>	<u>3,010,303</u>
Less Accumulated Depreciation for:				
Buildings	(887,793)	(66,459)	-	(954,252)
Improvement of Sites	(28,885)	(9,140)	-	(38,025)
Equipment	(344,242)	(3,315)	-	(347,557)
Total Accumulated Depreciation	<u>(1,260,920)</u>	<u>(78,914)</u>	<u>-</u>	<u>(1,339,834)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,749,383</u>	<u>(78,914)</u>	<u>-</u>	<u>1,670,469</u>
Capital Assets, Net of Depreciation	<u>\$ 1,752,383</u>	<u>\$ (78,914)</u>	<u>\$ -</u>	<u>\$ 1,673,469</u>

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

Depreciation was charged to functions as follows:

General Administration	\$ 78,914
Total	\$ 78,914

**G. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2008, are as follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated					
Absences *	\$ 14,073	\$ -	\$ (1,461)	\$ 12,612	\$ -
Total Governmental Activities	\$ 14,073	\$ -	\$ (1,461)	\$ 12,612	\$ -

\* Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity for compensated absences has not been presented.

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated		
Absences	Governmental	General Fund

**H. Operating Leases**

The District has entered into an annual lease arrangement for two (2) Xerox copiers. This agreement does not obligate the District for a period of longer than one (1) year.

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

**I. Legally Restricted Balances**

Legally Restricted Balances as of June 30, 2008, are as follows:

	<u>General Fund</u>
Reserved for Lottery: Instructional Materials	\$ 255
Reserved for Special Education	97,837
Reserved for Arts and Music Block Grant	8,000
Reserved for Arts, Music, and PE Supplies and Materials	5,936
Reserved for Gifted and Talented (GATE)	22,550
Reserved for Instructional Materials Realignment Fund Program	4,892
Reserved for Peer Assistance and Review Entitlement	3,685
Reserved for Professional Development Block Grant	15,279
Reserved for Discretionary Block Grant - School District	8,534
Reserved for Library Materials and Education Technology	691
Reserved for Maintenance Account SB50	10,242
 Total Legally Restricted Balances	 \$ 177,901

**J. Joint Ventures (Joint Powers Agreements)**

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 for 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)

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

**K. Employee Retirement Systems**

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

**DEHESA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008**

**PERS**

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement Systems (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.

Funding Policy

Active plan members are required to contribute 7% of their salary and the 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 2007-2008 was 9.306% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2008, 2007 and 2006, were \$38,952, \$29,095 and \$32,879, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of District was \$0.

**STRS**

Plan Description

The District contributes to the State Teachers' retirement System (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, 2008**

Funding Policy

Active plan members are required to contribute 8% of their salary and the 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 2007-2008 was 8.25% of annual payroll. The contributions to STRS for the fiscal year ending June 30, 2008, 2007 and 2006, were \$69,921, \$68,856 and \$59,081, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$32,283.

L. Postemployment Benefits other than Pension Benefits

The District had no postemployment benefits as of June 30, 2008.

M. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

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



**DEHESA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION SECTION**  
**JUNE 30, 2008**

**DEHESA SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue Limit Sources				
State Apportionments	\$ 870,607	\$ 870,607	\$ 878,492	\$ 7,885
Local Sources	215,070	215,070	208,727	(6,343)
Federal Revenue	272,555	272,555	283,673	11,118
Other State Revenue	305,408	305,408	312,472	7,064
Other Local Revenue	564,107	564,107	698,994	134,887
Total Revenues	<u>2,227,747</u>	<u>2,227,747</u>	<u>2,382,358</u>	<u>154,611</u>
<b>Expenditures</b>				
Instruction	1,073,360	1,073,360	1,181,500	(108,140)
Instruction - Related Services	235,192	235,192	182,740	52,452
Pupil Services	181,387	181,387	207,055	(25,668)
General Administration	185,170	185,170	178,333	6,837
Plant Services	248,062	248,062	276,666	(28,604)
Other Outgo	303,218	303,218	286,582	16,636
Total Expenditures	<u>2,226,389</u>	<u>2,226,389</u>	<u>2,312,876</u>	<u>(86,487)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,358</u>	<u>1,358</u>	<u>69,482</u>	<u>241,098</u>
Net Change in Fund Balance	1,358	1,358	69,482	241,098
Fund Balance, July 1	<u>437,230</u>	<u>437,230</u>	<u>437,230</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 438,588</u>	<u>\$ 438,588</u>	<u>\$ 506,712</u>	<u>\$ 241,098</u>

**DEHESA SCHOOL DISTRICT  
DEFERRED MAINTENANCE FUND – SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other State Revenue	\$ 7,377	\$ 7,377	\$ 7,648	\$ 271
Other Local Revenue	7,000	7,000	9,043	2,043
Total Revenues	<u>14,377</u>	<u>14,377</u>	<u>16,691</u>	<u>2,314</u>
Expenditures				
Plant Services	78,000	78,000	18,253	59,747
Total Expenditures	<u>78,000</u>	<u>78,000</u>	<u>18,253</u>	<u>59,747</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(63,623)</u>	<u>(63,623)</u>	<u>(1,562)</u>	<u>(57,433)</u>
Other Financing Sources (Uses)				
Transfers In	8,018	8,018	8,397	379
Total Other Financing Sources (Uses)	<u>8,018</u>	<u>8,018</u>	<u>8,397</u>	<u>379</u>
Net Change in Fund Balance	(55,605)	(55,605)	6,835	(57,054)
Fund Balance, July 1	204,666	204,666	204,666	-
Fund Balance, June 30	<u>\$ 149,061</u>	<u>\$ 149,061</u>	<u>\$ 211,501</u>	<u>\$ (57,054)</u>

**DEHESA SCHOOL DISTRICT  
SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL  
OUTLAY PROJECTS – SPECIAL REVENUE FUND  
JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 14,000	\$ 14,000	\$ 21,004	\$ 7,004
Total Revenues	<u>14,000</u>	<u>14,000</u>	<u>21,004</u>	<u>7,004</u>
Expenditures				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,000</u>	<u>14,000</u>	<u>21,004</u>	<u>7,004</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(8,018)</u>	<u>(8,018)</u>	<u>(8,397)</u>	<u>(379)</u>
Total Other Financing Sources (Uses)	<u>(8,018)</u>	<u>(8,018)</u>	<u>(8,397)</u>	<u>(379)</u>
Net Change in Fund Balance	5,982	5,982	12,607	6,625
Fund Balance, July 1	<u>482,938</u>	<u>482,938</u>	<u>482,938</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 488,920</u>	<u>\$ 488,920</u>	<u>\$ 495,545</u>	<u>\$ 6,625</u>

**DEHESA SCHOOL DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION SECTION**  
**JUNE 30, 2008**

**DEHESA SCHOOL DISTRICT  
CHILD DEVELOPMENT FUND - SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Other Local Revenue	\$ 66,000	\$ 66,000	\$ 54,728	\$ (11,272)
Total Revenues	<u>66,000</u>	<u>66,000</u>	<u>54,728</u>	<u>(11,272)</u>
Expenditures				
Pupil Services	64,389	64,389	73,969	(9,580)
Total Expenditures	<u>64,389</u>	<u>64,389</u>	<u>73,969</u>	<u>(9,580)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,611</u>	<u>1,611</u>	<u>(19,241)</u>	<u>(1,692)</u>
Net Change in Fund Balance	1,611	1,611	(19,241)	(1,692)
Fund Balance, July 1	<u>87,517</u>	<u>87,517</u>	<u>87,517</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 89,128</u>	<u>\$ 89,128</u>	<u>\$ 68,276</u>	<u>\$ (1,692)</u>

**DEHESA SCHOOL DISTRICT  
CAFETERIA FUND - SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal Revenue	\$ 21,500	\$ 21,500	\$ 18,871	\$ (2,629)
Other State Revenue	1,000	1,000	1,424	424
Other Local Revenue	38,400	38,400	32,715	(5,685)
Total Revenues	<u>60,900</u>	<u>60,900</u>	<u>53,010</u>	<u>(7,890)</u>
<b>Expenditures</b>				
Pupil Services	60,900	60,900	40,506	20,394
General Administration	-	-	1,879	(1,879)
Total Expenditures	<u>60,900</u>	<u>60,900</u>	<u>42,385</u>	<u>18,515</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>10,625</u>	<u>(26,405)</u>
Net Change in Fund Balance	-	-	10,625	(26,405)
Fund Balance, July 1	12,159	12,159	12,159	-
Fund Balance, June 30	<u>\$ 12,159</u>	<u>\$ 12,159</u>	<u>\$ 22,784</u>	<u>\$ (26,405)</u>

**DEHESA SCHOOL DISTRICT  
CAPITAL FACILITIES FUND - CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 17,000	\$ 17,000	\$ 46,780	\$ 29,780
Total Revenues	<u>17,000</u>	<u>17,000</u>	<u>46,780</u>	<u>29,780</u>
Expenditures				
Plant Services	3,500	3,500	997	2,503
Total Expenditures	<u>3,500</u>	<u>3,500</u>	<u>997</u>	<u>2,503</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,500</u>	<u>13,500</u>	<u>45,783</u>	<u>27,277</u>
Net Change in Fund Balance	13,500	13,500	45,783	27,277
Fund Balance, July 1	334,990	334,990	334,990	-
Fund Balance, June 30	<u>\$ 348,490</u>	<u>\$ 348,490</u>	<u>\$ 380,773</u>	<u>\$ 27,277</u>



**DEHESA SCHOOL DISTRICT  
STATE SCHOOL BUILDING LEASE - PURCHASE  
FUND - CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 350	\$ 350	\$ 384	\$ 34
Total Revenues	<u>350</u>	<u>350</u>	<u>384</u>	<u>34</u>
Expenditures				
Plant Services	350	350	-	350
Total Expenditures	<u>350</u>	<u>350</u>	<u>-</u>	<u>350</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>384</u>	<u>(316)</u>
Net Change in Fund Balance	-	-	384	(316)
Fund Balance, July 1	8,232	8,232	8,232	-
Fund Balance, June 30	<u>\$ 8,232</u>	<u>\$ 8,232</u>	<u>\$ 8,616</u>	<u>\$ (316)</u>

**DEHESA SCHOOL DISTRICT  
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY  
PROJECTS - CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Local Revenue	\$ 250	\$ 250	\$ 313	\$ 63
Total Revenues	<u>250</u>	<u>250</u>	<u>313</u>	<u>63</u>
Expenditures				
Plant Services	250	250	-	250
Total Expenditures	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Net Change in Fund Balance	-	-	313	(187)
Fund Balance, July 1	<u>6,710</u>	<u>6,710</u>	<u>6,710</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 6,710</u></u>	<u><u>\$ 6,710</u></u>	<u><u>\$ 7,023</u></u>	<u><u>\$ (187)</u></u>

**DEHESA SCHOOL DISTRICT  
LOCAL EDUCATION AGENCY  
ORGANIZATION STRUCTURE  
JUNE 30, 2008**

The Dehesa School 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.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Charles T. Huskey	President	June 30, 2010
Cindi White	Vice President	June 30, 2009
Nubia Comas	Clerk	June 30, 2010
Pamela Dillard	Member	June 30, 2008
Andrea Eyring	Member	June 30, 2010
Francis La Poll	Member	June 30, 2009
Martin Neiman	Member	June 30, 2008

Administration

<u>Name</u>	<u>District Position</u>	<u>Tenure at District</u>
Steve Van Zant	Superintendent/Principal	2 Years
Carlos Estrella	Business Manager	2 Years

**DEHESA SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2008**

	<u>Second Period Report</u>	<u>Annual Report</u>
<b>ELEMENTARY:</b>		
Kindergarten	23.25	26.79
Grades 1 through 3	75.89	75.54
Grades 4 through 6	<u>61.55</u>	<u>61.25</u>
<b>TOTAL ELEMENTARY</b>	<u><u>160.69</u></u>	<u><u>163.58</u></u>

The District's operation is classroom based with no full-time independent study program.

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.

**DEHESA SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-08 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	34,905	36,000	59,556	181	In Compliance
Grade 1	47,505	50,400	55,936	181	In Compliance
Grade 2	47,505	50,400	55,936	181	In Compliance
Grade 3	47,505	50,400	55,936	181	In Compliance
Grade 4	55,245	54,000	56,841	181	In Compliance
Grade 5	55,245	54,000	56,841	181	In Compliance
Grade 6	55,245	54,000	56,841	181	In Compliance
Grade 7	55,245	54,000	56,841	181	In Compliance
Grade 8	55,245	54,000	56,841	181	In Compliance

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by the Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**DEHESA SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

<u>General Fund</u>	(Budget) 2009	2008	2007	2006
Revenues and other financial sources	\$ 2,042,529	\$ 2,382,358	\$ 2,952,987	\$ 2,770,722
Expenditures	2,166,183	2,312,876	2,747,361	2,692,146
Other uses and transfers out	-	-	99,750	241,802
Total outgo	2,166,183	2,312,876	2,847,111	2,933,948
Change in fund balance (deficit)	(123,654)	69,482	105,876	(163,226)
Ending fund balance	<u>\$ 383,058</u>	<u>\$ 506,712</u>	<u>\$ 437,230</u>	<u>\$ 341,354</u>
Available Reserves	<u>710,302</u>	<u>824,019</u>	<u>206,887</u>	<u>282,385</u>
Designated for economic uncertainties	<u>-</u>	<u>115,758</u>	<u>144,502</u>	<u>146,698</u>
Unrestricted fund balance	<u>\$ 205,157</u>	<u>\$ 50,341</u>	<u>\$ 62,385</u>	<u>\$ 135,687</u>
Available reserves as a percentage of total outgo	<u>32.8%</u>	<u>35.6%</u>	<u>7.3%</u>	<u>9.6%</u>
Total long-term debt	<u>\$ -</u>	<u>\$ 12,612</u>	<u>\$ 14,073</u>	<u>\$ 18,942</u>
Average daily attendance at P-2	<u>160</u>	<u>161</u>	<u>187</u>	<u>187</u>

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.

The General Fund Balance has increased by \$165,358 (48.4%) over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$123,654 (24.4%). For a District this size, the state recommends available reserves of at least five percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has had an operating surplus over two of the past three years, and anticipates an operating deficit during the 2008-2009 fiscal year. Total long-term debt has decreased by \$6,330 over the past two years.

Average daily attendance (ADA) has decreased by twenty six over the past two years. A loss of one ADA is anticipated during the 2008-2009 fiscal year.

**DEHESA SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented. For the year ended June 30, 2008, the District did not have any funds that needed any adjustments.

**DEHESA SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2008**

The following Charter Schools are chartered by Dehesa School District:

<u>Charter Schools</u>	<u>Included In Audit?</u>
Dehesa Charter School	No



**DEHESA SCHOOL DISTRICT  
SCHEDULE OF EXCESS SICK LEAVE  
YEAR ENDED JUNE 30, 2008**

The following disclosure is made for excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5:

Section 19833.5 (a)(3) or (a)(3)(b) disclosure

Dehesa School District does not provide more than 12 sick leave days in a school year to any Superintendent, or other high level administrator, who is a CalSTRS member.

**DEHESA SCHOOL DISTRICT**  
**OTHER INDEPENDENT AUDITORS' REPORTS SECTION**  
**JUNE 30, 2008**

**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  
Dehesa School District  
El Cajon, California

Members of the Board of Trustees

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District as of and for the year ended June 30, 2008, which collectively comprise the Dehesa School District's basic financial statements and have issued our report thereon dated November 15, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dehesa School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dehesa School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dehesa School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Dehesa School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Dehesa School District's financial statements that is more than inconsequential will not be prevented by the Dehesa School District's internal control.

**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**

**Page 2**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Dehesa School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dehesa 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 statements 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*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board of Trustees, 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  
November 15, 2008

ROY T. HOSAKA, C.P.A.  
 JAMES C. NAGEL, C.P.A.

MEMBER  
 CALIFORNIA SOCIETY OF  
 CERTIFIED PUBLIC ACCOUNTANTS  
 AMERICAN INSTITUTE OF  
 CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Trustees  
 Dehesa School District  
 El Cajon, California

Members of the Board of Trustees:

We have audited the financial statements of the Dehesa School District ("District") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 15, 2008. 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 Controller General of the United States; and the *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 Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuation	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Not Applicable

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

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Instructional Materials		
General Requirements	12	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Not Applicable
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Not Applicable
State School Facilities Funds	1	Not Applicable
Excess Sick Leave	2	Yes
Notification of Right to Elect California State Teachers		
Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook		
Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act		
of 1984)	2	Yes
California School Age Families Education		
(Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (Including In		
Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
District or Charter Schools With Only One School		Yes
Serving K-3	4	
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance, For		
Charter Schools	1	Not Applicable
Mode of Instruction, For Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study,		
For Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, For		
Charter Schools	3	Not Applicable

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**  
**Page 3**

The term "Not Applicable" is used above to mean either that the District did not offer the program during the current fiscal year or that the program applies only to a different type of local education agency.

Based on our audit, we found that, for the items tested, 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, the Board of Trustees, 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.

*Hosaka, Nagel & Company*

San Diego, California  
November 15, 2008

**DEHESA SCHOOL DISTRICT**  
**FINDINGS AND RECOMMENDATIONS SECTION**  
**JUNE 30, 2008**



**DEHESA SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**A. Summary of Auditors' Results**

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes   N/A   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   N/A   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 section 510(a) or Circular A-133?      Yes   N/A   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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*The Organization did not have over \$500,000 in federal expenditures.*

Dollar threshold used to distinguish between type A and type B programs:           N/A          

Auditee qualified as low-risk auditee?      Yes   N/A   No

**DEHESA SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**3. State Awards**

Internal control over state programs:

One or more material weaknesses identified?            Yes     X   No

One or more significant deficiencies identified that  
are not considered to be material weaknesses?            Yes     X   None Reported

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

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**D. State Award Findings and Questioned Costs**

NONE

**DEHESA SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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The District did not have any findings in the prior year.