

**DEHESA SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2014

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave
El Cajon, CA 92020**

Introductory Section

Dehesa School District
 Audit Report
 For The Year Ended June 30, 2014

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Financial Section

Independent Auditor's Report

To the Board of Trustees
Dehesa School District
El Cajon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District ("the District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2014, Dehesa School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress for OPEB benefits identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dehesa School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015 on our consideration of Dehesa School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dehesa School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 27, 2015

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

UNAUDITED

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, 2014. Please read it in conjunction with District's financial statements, which immediately follow this section.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB No. 34 established financial reporting standards for state and local government, including cities, villages and special purpose governments.

FINANCIAL HIGHLIGHTS

- Total Net Position was \$1,937,626, a decrease of \$703,141 from prior year.
- Total Revenues were \$3,446,880, and total cost of basic programs was \$3,933,655.
- Program Costs exceeded revenues by \$486,775.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and other Supplementary Information Section. The Basic Financial Statements present different views of the District as follows:

- The first two statements are district-wide combined 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 referenced financial statements also include *Notes* that explain some of the information in the statements and provide more detailed data. The financial statements are followed by a section of *Required Supplementary Information* that further explains and supports the financial statements with comparisons of the District's budget and actual results for the year.

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

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Major Features of the District-wide Financial Statements and Fund Financial Statements

Fund Statements		
	District-Wide	Governmental Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary and fiduciary, such as special education and building maintenance
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability</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
<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 service have been received and payment is due during the year or soon thereafter

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

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements

The two 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 position 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.

- 1) Net position (*the difference between the District's assets and liabilities, see Table 1*) is one way to measure the district's financial health or position
 - Over time increases and decreases in the District's net position is an indicator of whether 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 change in the district's property tax base and the condition of school buildings and other facilities.

- 2) The District's activities are represented in the district-wide financial statements.
 - *District's 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 detailed information about the District's specific funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and related 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 any 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, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The District has Governmental 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position as of June 30, 2014, was \$1,937,626. (See Table A-1.)

Table A-1			
Condensed Statement of Net Position			
	June 30, 2014	June 30, 2013	\$ Change
Current & Other Assets	\$6,202,368	\$4,729,745	\$1,472,623
Capital Assets, Net of Depreciation	\$1,152,697	\$958,983	\$193,714
Total Assets	\$7,355,065	\$5,688,728	\$1,666,337
			\$0
Current Liabilities	\$325,119	\$235,949	\$89,170
General Long-Term Debt	\$5,092,320	\$2,812,012	\$2,280,308
Total Liabilities	\$5,417,439	\$3,047,961	\$2,369,478
			\$0
Net Position			\$0
Invested in Capital Assets			\$0
Capital Projects	\$548,542		\$548,542
Debt Service	\$159,819		\$159,819
Educational Programs	\$311,396		\$311,396
Restricted-Expendable	\$784,499	\$287,832	\$496,667
Restricted-Non Expendable	\$133,370	\$2,352,935	(\$2,219,565)
Total Net Position	\$1,937,626	\$2,640,767	(\$703,141)

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position. The District's total revenue was \$3,446,680. (See Table A-2). The total cost of all programs and services was \$3,933,655. Total expenses surpassed revenue by \$486,775.

Table A-2			
Condensed Statement of Activities			
	June 30, 2014	June 30, 2013	Difference
Revenues			
Program Revenues			
Charges for Services	\$68,731	\$26,789	\$41,942
Operating Grants and Contributions	\$1,300,644	\$1,401,616	(\$100,972)
Capital Grants and Contributions	\$0	\$0	\$0
General Revenues			
LCFF Sources	\$1,006,562	\$863,433	\$143,129
Federal & State Revenue	\$738,359	\$757,616	(\$19,257)
Local Revenue	\$332,584	\$323,970	\$8,614
Total Revenues	\$3,446,880	\$3,373,424	\$73,456
Expenses			
Instruction	\$2,302,904	\$1,951,672	\$351,232
Instruction-Related Services	\$282,686	\$263,222	\$19,464
Pupil Services	\$348,776	\$347,640	\$1,136
General Administration	\$259,588	\$384,143	(\$124,555)
Plant Services	\$301,271	\$245,706	\$55,565
Other Outgo	\$170,234	\$7,212	\$163,022
Interest on Long-Term Debt	\$268,196	\$99,294	\$168,902
Total Expenses	\$3,933,655	\$3,298,889	\$634,766
Change in Net Assets	(\$486,775)	\$74,535	(\$561,310)

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 \$2,564,680.
- Revenues from users of the District's programs amounted to \$68,731.
- Federal and state Governments subsidized programs contributions was \$1,300,644.
- Revenue from LCFF sources was \$1,006,562.
- Local and miscellaneous revenues account for \$332,584.
- Net position decreased by \$261,993.

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

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 2013-2014 with a total combined, government fund balance of \$5,922,010.

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 to LCFF; Federal Grants such as IDEA Special Ed., Title I; state amounts such as Special Education, Elimination of restricted resources for EIA and Transportation now included in LCFF funding and Lottery.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets (net of depreciation) are at \$1,192,289. These assets include Land, Land Improvements, Building Construction, work in progress and Equipment. Total depreciation expense for the year was \$184,300. Total new assets purchased during the year were \$417,607, and consisted of computer equipment and work in progress for new construction.

Table A-4			
Capital Assets			
	30-Jun-14	30-Jun-13	\$ Change
Work in Progress	\$375,322	\$24,634	\$350,688
Land	\$3,000	\$3,000	\$0
Buildings	\$2,059,265	\$2,059,265	\$0
Land Improvements	\$9,900	\$9,900	\$0
Equipment	\$721,547	\$694,221	\$27,326
Less: Accumulated Depreciation	(\$2,016,337)	(\$1,832,037)	(\$184,300)
Total Capital Assets, Net of Depreciation	\$1,152,697	\$958,983	\$193,714

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

Table A-5			
Long Term Debt			
	June 30, 2014	June 30, 2013	\$ Change
Compensated Absences	\$30,227	\$45,061	(\$14,834)
GO Bonds	\$4,590,844	\$2,499,852	\$2,090,992
Other Long-Term Debt	\$381,245	\$220,038	\$161,207
Net OPEB Obligation	\$90,004	\$47,061	\$42,943
Total Long Term Debt	\$5,092,320	\$2,812,012	\$2,280,308

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the only known circumstances that could significantly affect its financial health in the future would be an increase in the number of Special Needs students and associated special education costs, the State's continuing economic decline, its impact on the State budget, and related reduced funding to the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Lori Wigg, Business Manager, Dehesa School District, 4612 Dehesa Road, El Cajon, CA 92019.

Dehesa School District

Basic Financial Statements

DEHESA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT A-1

ASSETS:	
Cash	\$ 5,715,984
Accounts Receivable	486,384
Capital Assets:	
Land	3,000
Land Improvements	9,900
Buildings	2,059,265
Equipment	721,547
Work in Progress	375,322
Less Accumulated Depreciation	(2,016,337)
Total Assets	<u>7,355,065</u>
LIABILITIES:	
Accounts Payable	325,119
Long-Term Liabilities:	
Due Within One Year	30,227
Due in More Than One Year	5,046,046
Accreted interest	16,047
Total Liabilities	<u>5,417,439</u>
NET POSITION:	
Restricted for:	
Capital Projects	548,542
Debt Service	159,819
Educational Programs	311,396
Other Purposes (Expendable)	784,499
Other Purposes (Nonexpendable)	133,370
Unrestricted	-
Total Net Position	<u>\$ 1,937,626</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT A-2

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 2,302,904	\$ -	\$ 1,101,170	\$ -	\$ (1,201,734)
Instruction-Related Services:					
Instructional Supervision and Administration	39,732	-	37,250	-	(2,482)
Instructional Library, Media and Technology	35,639	-	1,722	-	(33,917)
School Site Administration	207,315	-	17,651	-	(189,664)
Pupil Services:					
Home-to-School Transportation	152,003	-	197	-	(151,806)
Food Services	70,867	66,704	53,438	-	49,275
All Other Pupil Services	125,906	-	58,528	-	(67,378)
General Administration:					
Centralized Data Processing	1,958	-	-	-	(1,958)
All Other General Administration	257,630	-	29,064	-	(228,566)
Plant Services	301,271	2,027	1,624	-	(297,620)
Depreciation (unallocated)	80,026	-	-	-	(80,026)
Other outgo	90,208	-	-	-	(90,208)
Interest on Long-Term Debt	268,196	-	-	-	(268,196)
Total Expenses	\$ 3,933,655	\$ 68,731	\$ 1,300,644	\$ -	\$ (2,564,280)

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	806,949
Taxes Levied for Debt Service	199,624
Taxes Levied for Other Purposes	(11)
Federal and State Aid Not Restricted to Specific Programs	738,359
Interest and Investment Earnings	18,041
Interagency Revenues	259,310
Miscellaneous	55,233
Total General Revenues	\$ 2,077,505

Change in Net Position (486,775)

Net Position Beginning	2,640,767
Adjustment to Beginning Balance (Note K)	(216,366)
Net Position Beginning as Adjusted	2,424,401
Net Position Ending	<u>\$ 1,937,626</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Cafeteria Fund</u>
ASSETS:		
Cash in County Treasury	\$ 829,061	\$ 53,893
Cash on Hand and in Banks	1,055	970
Cash in Revolving Fund	6,005	-
Accounts Receivable	470,859	8,640
Due from Other Funds	17,000	-
Total Assets	<u><u>1,323,980</u></u>	<u><u>63,503</u></u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 272,928	\$ 125
Due to Other Funds	17,000	46,788
Total Liabilities	<u><u>289,928</u></u>	<u><u>46,913</u></u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	6,005	-
Restricted Fund Balances	243,548	16,590
Committed Fund Balances	-	-
Assigned Fund Balances	492,288	-
Unassigned:		
Reserve for Economic Uncertainty	292,211	-
Total Fund Balance	<u><u>1,034,052</u></u>	<u><u>16,590</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,323,980</u></u>	<u><u>\$ 63,503</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,185,447	\$ 638,925	\$ 5,707,326
-	629	2,654
5,262	-	6,005
46,788	1,623	486,384
<u>4,237,497</u>	<u>641,177</u>	<u>6,266,157</u>
\$ 71	\$ 7,235	\$ 280,359
-	-	63,788
<u>71</u>	<u>7,235</u>	<u>344,147</u>
-	-	6,005
-	1,181	261,319
4,237,426	-	4,237,426
-	632,761	1,125,049
-	-	292,211
<u>4,237,426</u>	<u>633,942</u>	<u>5,922,010</u>
\$ <u>4,237,497</u>	\$ <u>641,177</u>	\$ <u>6,266,157</u>

DEHESA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances, governmental funds		\$ 5,922,010
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets relating to governmental activities, at historical cost:	3,169,034	
Accumulated depreciation:	<u>(2,016,337)</u>	
	Net:	1,152,697
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owing at the end of the period was:		
		(44,761)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds	4,590,844	
Accreted interest	16,047	
Bond premium	365,198	
Net OPEB obligation	90,004	
Compensated absences payable	<u>30,227</u>	
		<u>(5,092,320)</u>
Total net position, governmental activities		\$ <u><u>1,937,626</u></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, 2014

	General Fund	Cafeteria Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 1,071,495	\$ -
Education Protection Account Funds	226,268	-
Local Sources	153,362	-
Federal Revenue	373,679	50,923
Other State Revenue	193,517	3,932
Other Local Revenue	1,088,717	22,150
Total Revenues	<u>3,107,038</u>	<u>77,005</u>
Expenditures:		
Instruction	2,312,845	-
Instruction - Related Services	266,032	-
Pupil Services	163,448	70,799
General Administration	218,146	-
Plant Services	196,289	2,151
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>3,156,760</u>	<u>72,950</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(49,722)</u>	<u>4,055</u>
Other Financing Sources (Uses):		
Transfers In	52,276	-
Transfers Out	(62,276)	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>-</u>
Net Change in Fund Balance	(59,722)	4,055
Fund Balance, July 1	1,093,774	12,535
Fund Balance, June 30	<u>\$ 1,034,052</u>	<u>\$ 16,590</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,071,495
-	-	226,268
-	-	153,362
-	-	424,602
-	2,349	199,798
11,198	253,684	1,375,749
<u>11,198</u>	<u>256,033</u>	<u>3,451,274</u>
-	-	2,312,845
-	-	266,032
-	64,530	298,777
-	50	218,196
452,819	102,270	753,529
-	80,000	80,000
-	108,625	108,625
<u>452,819</u>	<u>355,475</u>	<u>4,038,004</u>
<u>(441,621)</u>	<u>(99,442)</u>	<u>(586,730)</u>
-	10,000	62,276
-	-	(62,276)
2,170,992	13,923	2,184,915
<u>2,170,992</u>	<u>23,923</u>	<u>2,184,915</u>
1,729,371	(75,519)	1,598,185
2,508,055	709,461	4,323,825
<u>\$ 4,237,426</u>	<u>\$ 633,942</u>	<u>\$ 5,922,010</u>

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, 2014**

Total change in fund balances, governmental funds \$ 1,598,185

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	378,014	
Expenditures for capital outlay		
Depreciation expense	(184,300)	
Net:		193,714

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 80,000

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (2,170,992)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (10,741)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: (148,832)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (42,943)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 14,834

Change in net assets of governmental activities - statement of activities \$ (486,775)

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 1,446
Total Assets	<u>1,446</u>
LIABILITIES:	
Due to Student Groups	\$ 1,446
Total Liabilities	<u>1,446</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies

Dehesa School District (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," 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

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

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 position 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.

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 governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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.

Building Fund. This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Cafeteria Fund. This fund is used to account for the food service operations of the District.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

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.

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.

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 all eligibility requirements have been satisfied.

Governmental 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.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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.

5. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 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 substantially 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, except for the Tax Override Funds, in which interest earned is credited to the general fund. 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 was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories 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 incurred.

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 assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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
Building Improvements	10-20
Vehicles	5-7
Office Equipment	3-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount is reported in the District's long-term debt.

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. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. 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 position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. 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 Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District maintains a minimum reserve of 5% of general fund expenditures including other financing uses within the general fund. This reserve may be increased from time to time in order to address specific anticipated shortfalls. If necessary, The Special Reserve Fund for Other Than Capital Outlay may also be used to meet the minimum state required reserve level. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

j. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is merged with the General Fund for purposes of presentation in the audit report.

6. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2014 the District had no Deferred Inflows or Deferred Outflows of Resources.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

8. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

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 THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

C. Excess of Expenditures Over Appropriations

As of June 30, 2014, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 25,386
Classified salaries	2,336
Cafeteria Fund:	
Classified salaries	1,177

General fund: The District incurred unanticipated expenditures for inflationary salary increases.

Cafeteria fund: The District incurred unanticipated expenditures for inflationary salary increases.

D. 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 (\$5,707,326 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$5,714,672. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

Cash balances on hand and in banks (\$4,100 as of June 30, 2014) and in the revolving fund (\$6,005) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Average Days to Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
San Diego County Pooled Investment Funds	366	\$ 5,707,326	\$ 5,714,672

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

4. General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

5. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAf by Standard & Poors. The District's short term cash investments notes are rated AA+ by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2014, the District's bank balances (including revolving cash) of \$10,105 was not exposed to custodial credit risk.

c. **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. **Interest Rate Risk**

This is the risk that changes in 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. The District manages its exposure to interest rate risk by investing in the county pool

e. **Foreign Currency Risk**

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

6. **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-earning 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 investments 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.

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.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E. Accounts Receivable

Accounts receivable at June 30, 2014 consisted of:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Cafeteria Fund	Building Fund		
Federal Government:					
Federal programs	\$ 124,509	\$ 5,499	-	\$ -	\$ 130,008
State Government:					
LCFF state aid	142,644	-	-	-	142,644
Lottery	16,295	-	-	-	16,295
Child nutrition program	-	3,009	-	-	3,009
Local Sources:					
Interest	1,468	132	5,262	1,623	8,485
Other local sources	185,943	-	-	-	185,943
Totals	\$ 470,859	\$ 8,640	\$ 5,262	\$ 1,623	\$ 486,384

F. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Work in progress	24,634	350,688	-	375,322
Total capital assets not being depreciated	27,634	350,688	-	378,322
Capital assets being depreciated:				
Buildings	2,059,265	-	-	2,059,265
Improvements	9,900	-	-	9,900
Equipment	694,221	27,326	-	721,547
Total capital assets being depreciated	2,763,386	27,326	-	2,790,712
Less accumulated depreciation for:				
Buildings	(1,354,219)	(82,978)	-	(1,437,197)
Improvements	(9,900)	-	-	(9,900)
Equipment	(467,918)	(101,322)	-	(569,240)
Total accumulated depreciation	(1,832,037)	(184,300)	-	(2,016,337)
Total capital assets being depreciated, net	931,349	(156,974)	-	774,375
Governmental activities capital assets, net	\$ 958,983	\$ 193,714	\$ -	\$ 1,152,697

Depreciation was charged to functions as follows:

Instruction	\$ 25,622
Instruction-Related Services	19,598
Pupil Services	50,085
General Administration	2,876
Plant Services	6,093
Unallocated	80,026
	\$ 184,300

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2014, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Special Reserve Fund	General Fund	\$ 17,000	Oversite fees
Building Fund	Cafeteria Fund	46,788	Correct posting error
	Total	<u>\$ 63,788</u>	

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, 2014, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Child Development Fund	\$ 10,000	Summer student care
General Fund	Special Reserve Fund	17,000	Oversite fees
Special Reserve Fund	General Fund	35,276	Expense reimbursement
	Total	<u>\$ 62,276</u>	

H. Accounts Payable

Accounts payable at June 30, 2014 consisted of:

	<u>Major Governmental Funds</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>		
Vendor payables	\$ 76,077	\$ -	\$ 71	\$ 5,325	\$ 81,473
Payroll and related benefits	196,851	125	-	1,910	198,886
Totals	<u>\$ 272,928</u>	<u>\$ 125</u>	<u>\$ 71</u>	<u>\$ 7,235</u>	<u>\$ 280,359</u>

I. 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, 2014, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 2,499,852	\$ 2,170,992	\$ 80,000	\$ 4,590,844	\$ -
Accreted interest	3,672	12,375	-	16,047	-
Bond premium	216,366	156,719	7,887	365,198	-
Compensated absences *	45,061	-	14,834	30,227	30,227
Net OPEB obligation	47,061	67,519	24,576	90,004	-
Total governmental activities	<u>\$ 2,812,012</u>	<u>\$ 2,407,605</u>	<u>\$ 127,297</u>	<u>\$ 5,092,320</u>	<u>\$ 30,227</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

* Other long-term liabilities

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

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium, net OPEB obligation, and accreted interest, at June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,227	\$ 8,255	\$ 107,425	\$ 115,680
2016	-	8,961	195,363	204,324
2017	-	9,735	195,363	205,098
2018	4,775	10,790	195,363	210,928
2019	24,263	12,212	194,823	231,298
2020-2024	216,980	91,987	965,615	1,274,582
2025-2029	437,782	198,858	927,265	1,563,905
2030-2034	521,103	299,190	780,815	1,601,108
2035-2039	1,035,941	123,047	604,011	1,762,999
2040-2044	2,090,000	-	430,433	2,520,433
2045-2049	260,000	-	11,916	271,916
Totals	\$ 4,621,071	\$ 763,035	\$ 4,608,392	\$ 9,962,271

3. General Obligation Bonds

General obligation bonds at June 30, 2014 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2010 Election Series A	08/01/2013	3.00-4.00%	08/01/2043	\$ 2,499,852
2012 Election Series A	06/01/2014	1.46-5.11%	08/01/2044	2,170,992
				<u>\$ 4,670,844</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2010 Election Series A	\$ 2,499,852	\$ -	\$ 80,000	\$ 2,419,852
2010 Accreted Interest	3,672	7,600	-	11,272
2012 Election Series A	-	2,170,992	-	2,170,992
2012 Accreted Interest	-	4,775	-	4,775
Total GO Bonds	\$ 2,503,524	\$ 2,183,367	\$ 80,000	\$ 4,606,891

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

The annual requirements to amortize the bonds outstanding at June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 8,255	\$ 107,425	\$ 115,680
2016	-	8,961	195,363	204,324
2017	-	9,735	195,363	205,098
2018	4,775	10,790	195,363	210,928
2019	24,263	12,212	194,823	231,298
2020-2024	216,980	91,987	965,615	1,274,582
2025-2029	437,782	198,858	927,265	1,563,905
2030-2034	521,103	299,190	780,815	1,601,108
2035-2039	1,035,941	123,047	604,011	1,762,999
2040-2044	2,090,000	-	430,433	2,520,433
2045-2049	260,000	-	11,916	271,916
Totals	\$ <u>4,590,844</u>	\$ <u>763,035</u>	\$ <u>4,608,392</u>	\$ <u>9,962,271</u>

4. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the effective interest rate method.

The following bonds were issued at a premium resulting in effective interest as follows:

	<u>2010 Series A Bonds</u>	<u>2012 Series A Bonds</u>
Total Interest	\$ 3,075,100	\$ 2,659,700
Less Bond Premium	(223,578)	(156,719)
Net Interest	\$ <u>2,851,522</u>	\$ <u>2,502,981</u>
Par Amount of Bonds	\$ 2,499,582	\$ 2,170,992
Periods	30	30
Effective Interest Rate	3.80%	3.84%

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

J. Components of Ending Fund Balance

As of June 30, 2014 components of ending fund balance consisted of:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Cafeteria Fund	Building Fund		
Nonspendable Fund Balances					
Revolving Cash	\$ 6,005	\$ -	\$ -	\$ -	\$ 6,005
Restricted Fund Balances					
Educational Programs	243,548	-	-	1,181	244,729
Child Nutrition Program	-	16,590	-	-	16,590
Committed Fund Balances					
Capital Projects	-	-	4,237,426	-	4,237,426
Assigned Fund Balances					
Educational Programs	492,289	-	-	126,183	618,472
Child Development Program	-	-	-	4,471	4,471
Capital Projects	-	-	-	188,029	188,029
Debt Service	-	-	-	159,819	159,819
Deferred Maintenance	-	-	-	154,259	154,259
Unassigned Fund Balances					
For Economic Uncertainty	292,210	-	-	-	292,210
Total Fund Balance	\$ 1,034,052	\$ 16,590	\$ 4,237,426	\$ 633,942	\$ 5,922,010

K. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 65 during the current fiscal year which resulted in an accounting change in the treatment of debt issue costs. Under previous standards, debt issue costs were recorded as prepaid expenses and amortized over the life of the debt. Under newly implemented standards all debt issue costs, except for prepaid insurance, are expensed in the period the debt is issued. The resulting accounting change required a restatement of beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 2,640,767
Change in accounting policy	<u>(216,366)</u>
Net Position, Beginning (As Restated)	<u>\$ 2,424,401</u>

L. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2014 is as follows:

Total Assets	\$	(40,353)
Total Liabilities		2,980
Total Fund Balance		(43,333)
Total Cash Receipts		11,714
Total Cash Disbursements		12,045
Net Change in Fund Balance		(331)

The District has a repayment plan in place to repay the deficit balance at June 30, 2014.

M. 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 Public Employees' Retirement System (PERS).

PERS:

Plan Description

The 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.

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 2013-14 was 11.442% 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, 2014, 2013 and 2012 were \$47,053, \$49,188 and \$41,841, respectively, and equal 100% of the required contributions for each year.

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 THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$79,702, \$74,321 and \$74,741, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$51,179 (5.204002% of salaries subject to STRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

N. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Dehesa School District (District) offers health care benefits, as established by board policy, to all employees who retire from the District and meet established requirements. Currently, the District pays 100% of the cost of the premium. Based on the July 1, 2013 actuarial study the number of active employees was 25 with 2 retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013-14, the District contributed \$24,576 for health care benefits which represented 36.4% of the annual required contribution.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 67,519
Contribution made	<u>(24,576)</u>
Increase in net OPEB obligation	42,943
Net OPEB obligation, beginning of year	<u>47,061</u>
Net OPEB obligation, end of year	<u>\$ 90,004</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 was as follows:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$67,519	36.4%	90,004

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District utilized the Alternative Measurement Method which differs from a full actuarial valuation and is permitted for employers with fewer than one hundred plan members, which includes employees in active service, terminated employees who have accumulated benefits but are not receiving them, and retirees and beneficiaries currently receiving benefits. In the June 30, 2013 actuarial review under the Alternative Measurement Method, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

The UAAL is being amortized at a level dollar method with the amortization period at June 30, 2014 of 29 years.

O. Commitments and Contingencies

Litigation

State and Federal Allowances, Awards, and Grants

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

P. Construction Commitments

As of June 30, 2014 the District had no commitments with respect to unfinished capital projects.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Q. Subsequent Events

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for the purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for the 2014-15 fiscal year.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

GASB Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 fiscal year.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

DEHESA SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment	\$ 826,678	\$ 1,137,559	\$ 1,071,495	\$ (66,064)
Education Protection Account Funds	171,635	209,163	226,268	17,105
Local Sources	137,746	99,721	153,362	53,641
Federal Revenue	469,666	406,285	373,679	(32,606)
Other State Revenue	299,591	138,884	142,338	3,454
Other Local Revenue	971,967	1,099,704	1,086,679	(13,025)
Total Revenues	<u>2,877,283</u>	<u>3,091,316</u>	<u>3,053,821</u>	<u>(37,495)</u>
Expenditures:				
Current:				
Certificated Salaries	938,493	955,272	980,658	(25,386)
Classified Salaries	459,384	470,752	473,088	(2,336)
Employee Benefits	414,600	420,110	395,977	24,133
Books And Supplies	97,894	105,742	88,630	17,112
Services And Other Operating Expenditures	1,002,631	1,185,404	1,139,902	45,502
Capital Outlay	-	58,326	27,326	31,000
Total Expenditures	<u>2,913,002</u>	<u>3,195,606</u>	<u>3,105,581</u>	<u>90,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(35,719)</u>	<u>(104,290)</u>	<u>(51,760)</u>	<u>52,530</u>
Other Financing Sources (Uses):				
Transfers In	7,950	35,276	35,276	-
Transfers Out	-	(70,000)	(27,000)	43,000
Total Other Financing Sources (Uses)	<u>7,950</u>	<u>(34,724)</u>	<u>8,276</u>	<u>43,000</u>
Net Change in Fund Balance	<u>(27,769)</u>	<u>(139,014)</u>	<u>(43,484)</u>	<u>95,530</u>
Fund Balance, July 1	<u>585,247</u>	<u>585,247</u>	<u>585,247</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 557,478</u>	<u>\$ 446,233</u>	<u>\$ 541,763</u>	<u>\$ 95,530</u>

The accompanying notes to required supplemental information are an integral part of this statement.

DEHESA SCHOOL DISTRICT
CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 50,000	\$ 50,000	\$ 50,923	\$ 923
Other State Revenue	4,150	4,150	3,932	(218)
Other Local Revenue	25,658	25,658	22,150	(3,508)
Total Revenues	<u>79,808</u>	<u>79,808</u>	<u>77,005</u>	<u>(2,803)</u>
Expenditures:				
Current:				
Classified Salaries	22,800	22,800	23,977	(1,177)
Employee Benefits	4,415	4,215	4,117	98
Books And Supplies	49,350	49,350	42,109	7,241
Services And Other Operating Expenditures	2,500	4,500	2,747	1,753
Total Expenditures	<u>79,065</u>	<u>80,865</u>	<u>72,950</u>	<u>7,915</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>743</u>	<u>(1,057)</u>	<u>4,055</u>	<u>5,112</u>
Net Change in Fund Balance	<u>743</u>	<u>(1,057)</u>	<u>4,055</u>	<u>5,112</u>
Fund Balance, July 1	12,535	12,535	12,535	-
Fund Balance, June 30	<u>\$ 13,278</u>	<u>\$ 11,478</u>	<u>\$ 16,590</u>	<u>\$ 5,112</u>

The accompanying notes to required supplemental information are an integral part of this statement.

DEHESA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/13	\$ -	\$ 448,800	\$ 448,800	-	\$ 1,384,400	32.4%

DEHESA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$ 1,034,052
Less Fund 17 Fund Balance	<u>(492,289)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 541,763</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ (59,722)
Change in Fund Balance attributed to Fund 17	<u>16,238</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ (43,484)</u>

In addition, the budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources (Excluding Fund 17)	\$ 3,140,276
Less on Behalf Payments for year ended June 30, 2014	<u>(51,179)</u>
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources (Excluding Fund 17)	<u>\$ 3,089,097</u>
General Fund - Fund Financial Statements Expenditures and Other Financing Uses (Excluding Fund 17)	\$ 3,183,760
Less on Behalf Payments for year ended June 30, 2014	<u>(51,179)</u>
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses (Excluding Fund 17)	<u>\$ 3,132,581</u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 286,943	\$ 159,819	\$ 192,163	\$ 638,925
Cash on Hand and in Banks	629	-	-	629
Accounts Receivable	1,242	-	381	1,623
Total Assets	<u>288,814</u>	<u>159,819</u>	<u>192,544</u>	<u>641,177</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 2,720	\$ -	\$ 4,515	\$ 7,235
Total Liabilities	<u>2,720</u>	<u>-</u>	<u>4,515</u>	<u>7,235</u>
Fund Balance:				
Restricted Fund Balances	1,181	-	-	1,181
Assigned Fund Balances	284,913	159,819	188,029	632,761
Total Fund Balance	<u>286,094</u>	<u>159,819</u>	<u>188,029</u>	<u>633,942</u>
Total Liabilities and Fund Balances	<u>\$ 288,814</u>	<u>\$ 159,819</u>	<u>\$ 192,544</u>	<u>\$ 641,177</u>

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Other State Revenue	\$ -	\$ 2,349	\$ -	\$ 2,349
Other Local Revenue	55,219	197,538	927	253,684
Total Revenues	<u>55,219</u>	<u>199,887</u>	<u>927</u>	<u>256,033</u>
Expenditures:				
Pupil Services	64,530	-	-	64,530
General Administration	50	-	-	50
Plant Services	50,395	-	51,875	102,270
Debt Service:				
Principal	-	80,000	-	80,000
Interest	-	108,625	-	108,625
Total Expenditures	<u>114,975</u>	<u>188,625</u>	<u>51,875</u>	<u>355,475</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,756)</u>	<u>11,262</u>	<u>(50,948)</u>	<u>(99,442)</u>
Other Financing Sources (Uses):				
Transfers In	10,000	-	-	10,000
Other Sources	-	13,923	-	13,923
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>13,923</u>	<u>-</u>	<u>23,923</u>
Net Change in Fund Balance	(49,756)	25,185	(50,948)	(75,519)
Fund Balance, July 1	335,850	134,634	238,977	709,461
Fund Balance, June 30	<u>\$ 286,094</u>	<u>\$ 159,819</u>	<u>\$ 188,029</u>	<u>\$ 633,942</u>

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

EXHIBIT C-3

	<u>Charter School Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
ASSETS:				
Cash in County Treasury	\$ 127,114	\$ 5,075	\$ 154,754	\$ 286,943
Cash on Hand and in Banks	-	629	-	629
Accounts Receivable	250	677	315	1,242
Total Assets	<u>127,364</u>	<u>6,381</u>	<u>155,069</u>	<u>288,814</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ 1,910	\$ 810	\$ 2,720
Total Liabilities	<u>-</u>	<u>1,910</u>	<u>810</u>	<u>2,720</u>
Fund Balance:				
Restricted Fund Balances	1,181	-	-	1,181
Assigned Fund Balances	126,183	4,471	154,259	284,913
Total Fund Balance	<u>127,364</u>	<u>4,471</u>	<u>154,259</u>	<u>286,094</u>
Total Liabilities and Fund Balances	<u>\$ 127,364</u>	<u>\$ 6,381</u>	<u>\$ 155,069</u>	<u>\$ 288,814</u>

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Charter School Fund	Child Development Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 563	\$ 54,041	\$ 615	\$ 55,219
Total Revenues	<u>563</u>	<u>54,041</u>	<u>615</u>	<u>55,219</u>
Expenditures:				
Pupil Services	-	64,530	-	64,530
General Administration	50	-	-	50
Plant Services	-	-	50,395	50,395
Total Expenditures	<u>50</u>	<u>64,530</u>	<u>50,395</u>	<u>114,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>513</u>	<u>(10,489)</u>	<u>(49,780)</u>	<u>(59,756)</u>
Other Financing Sources (Uses):				
Transfers In	-	10,000	-	10,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balance	513	(489)	(49,780)	(49,756)
Fund Balance, July 1	126,851	4,960	204,039	335,850
Fund Balance, June 30	<u>\$ 127,364</u>	<u>\$ 4,471</u>	<u>\$ 154,259</u>	<u>\$ 286,094</u>

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 184,770	\$ 7,393	\$ 192,163
Accounts Receivable	366	15	381
Total Assets	<u>185,136</u>	<u>7,408</u>	<u>192,544</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 4,515	\$ -	\$ 4,515
Total Liabilities	<u>4,515</u>	<u>-</u>	<u>4,515</u>
Fund Balance:			
Assigned Fund Balances	180,621	7,408	188,029
Total Fund Balance	<u>180,621</u>	<u>7,408</u>	<u>188,029</u>
Total Liabilities and Fund Balances	<u>\$ 185,136</u>	<u>\$ 7,408</u>	<u>\$ 192,544</u>

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 894	\$ 33	\$ 927
Total Revenues	<u>894</u>	<u>33</u>	<u>927</u>
Expenditures:			
Plant Services	51,875	-	51,875
Total Expenditures	<u>51,875</u>	<u>-</u>	<u>51,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,981)</u>	<u>33</u>	<u>(50,948)</u>
Net Change in Fund Balance	(50,981)	33	(50,948)
Fund Balance, July 1	231,602	7,375	238,977
Fund Balance, June 30	<u>\$ 180,621</u>	<u>\$ 7,408</u>	<u>\$ 188,029</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

DEHESA SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2014

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 year. The District is currently operating one elementary school and sponsors two charter schools.

<u>Governing Board</u>		
<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Cindy White	President	Four Year Term Expires November 2014
Karl Becker	Vice President	Four Year Term Expires November 2014
Chuck Husky	Clerk	Four Year Term Expires November 2014
Jeff Royal	Member	Four Year Term Expires November 2016
Derek Voth	Member	Four Year Term Expires November 2016

Administration

Janet M. Wilson
 Superintendent/Principal

Gary Hobelman
 Business Manager

DEHESA SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2014

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	92.91	N/A	100.59	N/A
TK/K-3 Totals	92.91	N/A	100.59	N/A
Grades 4-6:				
Regular ADA	54.01	N/A	54.00	N/A
Grades 4-6 Totals	54.01	N/A	54.00	N/A
Grades 7 and 8:				
Regular ADA	34.35	N/A	34.92	N/A
Grades 7 and 8 Totals	34.35	N/A	34.92	N/A
ADA Totals	181.27	N/A	189.51	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

DEHESA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2014

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	59,633	181	-	Complied
Grade 1	50,400	49,000	56,013	181	-	Complied
Grade 2	50,400	49,000	56,013	181	-	Complied
Grade 3	50,400	49,000	55,833	181	-	Complied
Grade 4	54,000	52,500	55,833	181	-	Complied
Grade 5	54,000	52,500	55,833	181	-	Complied
Grade 6	54,000	52,500	59,633	181	-	Complied
Grade 7	54,000	52,500	59,633	181	-	Complied
Grade 8	54,000	52,500	59,633	181	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. 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. The District neither met nor exceeded its target funding.

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2014

TABLE D-3

<u>General Fund</u>	Budget 2015 (See Note 1)	2014	2013	2012
Revenues and other financial sources	\$ 2,993,175	\$ 3,140,276	\$ 3,201,417	\$ 3,119,165
Expenditures, other uses and transfers out	3,142,636	3,183,760	3,055,355	3,078,609
Change in fund balance (deficit)	(149,461)	(43,484)	146,062	40,556
Ending fund balance	\$ 392,302	\$ 541,763	\$ 585,247	\$ 439,185
Available reserves	\$ 169,433	\$ 292,210	\$ 291,409	\$ 258,488
Available reserves as a percentage of total outgo	5.4%	9.3%	9.7%	9.4%
Total long-term debt	\$ 5,049,417	\$ 5,092,320	\$ 2,812,012	\$ 38,993
Average daily attendance at P-2	181	181	207	215

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 \$143,134 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$149,461. For a district this size, the state recommends available reserves of at least 3% of general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$5,072,836 over the past three years.

Average daily attendance (ADA) has decreased by 14 over the past three years.

Notes:

- 1 Budget 2015 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$51,179, \$47,561, and \$38,887, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) is included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

DEHESA SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Reserve Fund</u>
June 30, 2014, annual financial and budget report fund balances	\$ 541,763	\$ 492,289
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Correct for incorrect fund posting		
GASB # 54 required inclusion with general fund	<u>492,289</u>	<u>(492,289)</u>
June 30, 2014, audited financial statement fund balances	<u>\$ 1,034,052</u>	<u>\$ -</u>

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 SACS report to the audited financial statements. Funds that required no adjustment are not presented.

TABLE D-4

<u>Cafeteria Fund</u>	<u>Building Fund</u>
\$ <u>63,378</u>	\$ <u>4,190,638</u>
(46,788)	46,788
<u>-</u>	<u>-</u>
\$ <u><u>16,590</u></u>	\$ <u><u>4,237,426</u></u>

DEHESA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2014

TABLE D-5

The following charter schools are chartered by Dehesa School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
Dehesa Charter School (#419)	No
Diego Hills Charter School (#1088)	No
The Heights Charter School (#1488)	No
Community Montessori Charter School (#1494)	No

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

Board of Trustees
Dehesa School District
El Cajon, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Dehesa School District's basic financial statements, and have issued our report thereon dated January 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dehesa School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dehesa School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dehesa School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 and 2014-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dehesa School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as finding 2014-003 and 2014-004.

Dehesa School District's Response to Findings

Dehesa School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dehesa School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 27, 2015

Independent Auditor's Report on State Compliance

Board of Trustees
 Dehesa School District
 El Cajon, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2014.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	N/A
Continuation Education	10	N/A
Instructional Time for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	N/A

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

Opinion on State Compliance

In our opinion, Dehesa School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-003 and 2014-004.

Dehesa School District's Response to Findings

Dehesa School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Dehesa School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 27, 2015

Findings and Recommendations Section

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes 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 X Not Applicable

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X Not Applicable

Type of auditor's report issued on compliance for major programs: Not Applicable

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X Not Applicable

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Not Applicable	Not Applicable

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X Not Applicable

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? X Yes No

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

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

B. Financial Statement Findings

Finding 2014-001 (30000)

Bank Reconciliations

Criteria or Specific Requirement

Determine that the district has sufficient controls in place to safeguard the assets of the District, including performing monthly bank reconciliations for all cash accounts maintained by the District.

Condition

In our review of bank statement reconciliations we noted they were not being performed and documented on a monthly basis.

Cause

Management felt that the documentation they had on file was sufficient and as a result did not perform and document bank reconciliations monthly.

Effect

The District's controls over cash was missing a significant component.

Questioned Costs

None

Recommendation

We recommend the District implement procedures to prepare and review bank reconciliations timely on a monthly basis and have them available for review during the annual audit.

LEA's Response

The District has created and will begin utilizing a standardized form to prepare bank reconciliations. Procedures will be implemented to ensure that bank reconciliations are prepared timely and that all forms are completed on a monthly basis.

Finding 2014-002 (30000)

Payroll Timesheets

Criteria or Specific Requirement

Determine that the district has sufficient controls in place over payroll and accompanying time sheets.

Condition

In our review of payroll we noted in our testing of 15 individuals 4 of them did not have a time sheet that was properly signed and dated by both the employee and the supervisor as required by District policy.

Cause

Management was not reviewing time sheets for proper signatures by both the employee and the supervisor prior to processing the payroll.

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Effect

The District's controls over payroll processing was missing a proper review of documentation.

Questioned Costs

None

Recommendation

We recommend the District implement procedures to review all time sheets to ensure they are properly signed and dated by both the employee and supervisor prior to processing for payment.

LEA's Response

The District will implement procedures to ensure that all time sheets are reviewed and properly signed and dated by the employee and the supervisor prior to processing for payment.

C. State Award Findings and Questioned Costs

Finding 2014-003 (70000)

Instructional Materials

Criteria or Specific Requirement

Determine whether the district held a public hearing to determine the sufficiency of instructional materials within the first eight weeks of school and provided a ten day notice of the public hearing.

Condition

The district held a public hearing to determine the sufficiency of instructional materials; however, the district did not comply with the ten day requirement to post the notice of the public hearing.

Context

Education Code Section 60119 requires the district to hold a public hearing and determine the sufficiency of instructional materials and provide a ten day notice of the public hearing.

Questioned Costs

None, funding for the instructional materials program has rolled into the LCFF state apportionment funding and as such there are no costs to question.

Cause

The District inadvertently missed the ten day notice requirement while gathering information for the hearing.

Effect

The District was not in compliance with statutory requirements to provide a ten day notice for public hearing to determine sufficiency of instructional materials.

Recommendation

We recommend the District implement procedures to ensure in the future the required ten day notice of the public hearing is adhered to.

LEA's Response

Procedures will be implemented by the District to ensure that notifications are provided at least ten days prior to conducting the public hearing to determine sufficiency of instructional materials.

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding 2014-004 (72000)
School Accountability Report Card

Criteria or Specific Requirement

Determine that information provided on the School Accountability Report Card (SARC) for safety, cleanliness, and adequacy of school facilities agrees with the supporting Facility Inspection Tool (FIT) as required by Education Code Section 33126 and 33126.1.

Condition

In our review of the District's SARC and FIT, we noted that information reported on the SARC was not consistent with information reported on the FIT with regard to interior surfaces.

Context

Education Code Section 33126 requires the information contained in the SARC and the FIT to be in agreement for the areas noted.

Questioned Costs

None

Cause

The District inadvertently did not report the repair status relating to interior surfaces in the SARC.

Effect

The District was not in compliance with the requirement to report information in the SARC that is consistent with the information noted in the FIT.

Recommendation

We recommend the District implement a review process to ensure all data reported in the SARC agrees to the the information contained in the FIT.

LEA's Response

Data provided on the School Accountability Report Card (SARC) will be reviewed more carefully by the District to ensure that the information is consistent with the supporting Facility Inspection Tool (FIT).

DEHESA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2013-1 (30000) Associated Student Body Funds</p> <p>In our review of student body receipts we noted that at the time cash is collected only one individual signs the report verifying the amount collected.</p> <p>We recommend that the District adopt procedures that require two individuals are always present when counting cash receipts and that both individuals sign and date the report to verify the amount collected.</p>	Implemented	
<p>Finding 2013-2 (30000) Bank Account Reconciliations</p> <p>In our review of the District cash accounts we noted bank account reconciliations are not being prepared for any account on a monthly basis.</p> <p>We recommend the District adopt procedures which require that all bank accounts be reconciled to the bank statements on a monthly basis.</p>	Not Implemented	See Current Year Finding
<p>Finding 2013-3 (30000) Local Revenue</p> <p>In our testing of local revenue we noted that the District is not using cash transmittal forms for local revenue collected in the child development fund and the cafeteria fund.</p> <p>We recommend the District adopt procedures which require the use of a cash transmittal form for local revenue to document the amount of cash collected and transmitted to the business office. We also recommend that the transmittal form be signed by both the individual collecting the revenue and the individual receiving the revenue.</p>	Implemented	

DEHESA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2013-4 (50000) Federal Allowable Costs/Cost Principles</p> <p>In our review and testing of federal time certifications of employees charged to federal programs we noted that the District did not have semi-annual certifications or personnel activity reports on file to document the time charged to any of the federal programs included in the Special Education Cluster.</p>	<p>Implemented</p>	
<p>Establish procedures to ensure that all salaries and wages charged to federal programs or cost objectives have proper semi-annual time certifications or personnel activity reports on file. Employee's salaries charged to federal programs should be reviewed and monitored on a monthly basis to ensure proper time certification is evident.</p>		
<p>Finding 2013-5 (10000) Attendance</p> <p>In our review of the P2 second period attendance report submitted to the California Department of Education, we noted that the special education ADA listed on line A-9 did not agree to the supporting documentation. The ADA reported to the California Department of Education was understated by 1.3 ADA.</p>	<p>Implemented</p>	
<p>Amend the P2 second period attendance report to include the understated special education ADA on line A-9. Implement procedures to ensure ADA reported to the state reconciles to supporting documentation for all future periods in order to receive the maximum apportionment due from the state.</p>		