

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

AUDIT REPORT

JUNE 30, 2013

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

Introductory Section

Dehesa School District
 Audit Report
 For The Year Ended June 30, 2013

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Financial Section

Wilkinson Hadley King & Co. LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

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, 2013, 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, 2013, 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

As described in Note A to the financial statements, in 2013, Dehesa School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 and budgetary comparison information 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 and individual nonmajor fund 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 2012-13*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund 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 and individual nonmajor fund 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 30, 2014 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 30, 2014

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. 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 \$2,640,767 an increase of \$204,569 from prior year.
- Total Revenues were \$3,373,424, and total cost of basic programs was \$3,298,889.
- Revenues exceeded program costs by \$74,535.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - Management's Discussion and Analysis (this section), the Basic Financial Statement, Required Supplementary Information, and other Supplementary Information Section. The Basic Financials 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, 2013

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 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, 2013

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, 2013

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 Assets. The District's combined net position as of June 30, 2013, was \$2,640,767. (See Table A-1.)

Table A-1			
Condensed Statement of Net Position			
	June 30, 2013	June 30, 2012	\$ Change
Current & Other Assets	\$4,729,745	\$1,794,701	\$2,935,044
Capital Assets, Net of Depreciation	\$ 958,983	\$1,046,838	\$ (87,855)
Total Assets	\$5,688,728	\$2,841,539	\$2,847,189
Current Liabilities	\$ 235,949	\$ 366,348	\$ (130,399)
General Long-Term Debt	\$2,812,012	\$ 38,993	\$2,773,019
Total Liabilities	\$3,047,961	\$ 405,341	\$2,642,620
Net Position			
Invested in Capital Assets		\$1,046,838	\$(1,046,838)
Restricted	\$ 287,832	\$ 719,085	\$ (431,253)
Unrestricted	\$2,352,935	\$ 670,275	\$ 1,682,266
Total Net Position	\$2,640,767	\$2,436,198	\$ 204,569

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets. The District's total revenue was \$3,373,424. (See Table A-2). The total cost of all programs and services was \$3,298,889. Total expenses surpassed revenue by \$74,535.

Table A-2			
Condensed Statement of Activities			
	June 30, 2013	June 30, 2012	Difference
Revenues			
Program Revenues			
Charges for Services	\$ 26,789	\$ 22,249	\$ 4,540
Operating Grants and Contributions	\$1,401,616	\$1,498,984	\$ (97,368)
Capital Grants and Contributions	\$ 0	\$ 0	\$ 0
General Revenues			
Revenue Limit Sources	\$ 863,433	\$1,166,921	\$ (303,488)
Federal & State Revenue	\$ 757,616	\$ 443,568	\$ 314,048
Local Revenue	\$ 323,970	\$ 190,964	\$ 133,006
Total Revenues	\$ 3,373,424	\$3,322,686	\$ 50,738
Expenses			
Instruction	\$1,951,672	\$2,188,691	\$ (237,019)
Instruction-Related Services	\$ 263,222	\$250,658	\$ 12,564
Pupil Services	\$347,640	\$335,478	\$ 12,162
General Administration	\$384,143	\$364,909	\$ 19,234
Plant Services	\$245,706	\$243,254	\$ 2,452
Other Outgo	\$7,212	\$ 0	\$ 7,212
Interest on Long-Term Debt	\$99,294	\$ 0	\$ 99,294
Total Expenses	\$3,298,889	\$3,382,990	\$ 84,101
Change in Net Assets	\$74,535	(\$60,304)	\$ 134,839

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 \$1,870,484.
- Revenues from users of the District's programs amounted to \$26,789.
- Federal and state Governments subsidized programs contributions was \$1,401,616.
- Revenue from Revenue Limit sources was \$863,433.
- Local and miscellaneous revenues account for \$323,970.
- Net position increased by \$74,535.

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2013

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 2012 - 2013 with a total combined, government fund balance of \$4,324,824.

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, Safe and Drug Free Schools; state amounts such as Special Education, EIA, and Lottery.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets (net of depreciation) are at \$958,983. These assets include Land, Land Improvement, Building Construction and Equipment. Total depreciation expense for the year was \$145,401. Total new assets purchased during the year were \$57,546, and consisted of computer equipment and work in process for new construction.

Table A-4			
Capital Assets			
	June 30, 2013	June 30, 2012	\$ Change
Work in Progress	\$ 24,634	\$ 0	\$ 0
Land	\$ 3,000	\$ 3,000	\$ 0
Buildings	\$ 2,059,265	\$ 2,040,732	\$ 18,533
Land Improvements	\$ 9,900	\$ 9,900	\$ 0
Equipment	\$ 694,221	\$ 679,843	\$ 14,378
Less: Accumulated Depreciation	(\$1,832,037)	\$(1,686,637)	\$(145,401)
Total Capital Assets, Net of Depreciation	\$ 958,983	\$ 1,046,838	\$(87,855)

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

Table A-5			
Long Term Debt			
	June 30, 2013	June 30, 2012	\$ Change
Compensated Absences	\$ 45,061	\$ 38,993	\$ 6,068
GO Bonds	\$ 2,499,852	\$ 0	\$ 2,499,852
Accreted Interest	\$ 3,672	\$ 0	\$ 3,672
Net OPEB Obligation	\$ 47,061	\$ 0	\$ 47,061
Bond Premium	\$ 216,366	\$ 0	\$ 216,366
Total Long Term Debt	\$ 2,812,012	\$ 38,993	\$ 2,773,019

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 Gary Hobelman, 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, 2013

ASSETS:

Cash	\$	3,624,915
Accounts Receivable		888,464
Prepaid expenses		216,366
Capital Assets:		
Land		3,000
Land Improvements		9,900
Buildings		2,059,265
Equipment		694,221
Work in Progress		24,634
Less Accumulated Depreciation		(1,832,037)
Total Assets		<u>5,688,728</u>

LIABILITIES:

Accounts Payable		235,949
Long-Term Liabilities:		
Due Within One Year		132,273
Due in More Than One Year		2,676,067
Accreted interest		3,672
Total Liabilities		<u>3,047,961</u>

NET POSITION:

Restricted for:		
Capital Projects		24,634
Debt Service		1,089,818
Educational Programs		937,043
Other Purposes (Expendable)		301,440
Other Purposes (Nonexpendable)		287,832
Unrestricted		-
Total Net Position	\$	<u>2,640,767</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities:					
Instruction	\$ 1,951,672	\$ -	\$ 1,045,363	\$ -	\$ (906,309)
Instruction-Related Services:					
Instructional Supervision and Administration	28,293	-	28,572	-	279
Instructional Library, Media and Technology	15,393	-	-	-	(15,393)
School Site Administration	219,536	-	28,182	-	(191,354)
Pupil Services:					
Home-to-School Transportation	123,416	-	78,957	-	(44,459)
Food Services	78,020	26,789	57,809	-	6,578
All Other Pupil Services	146,204	-	85,520	-	(60,684)
General Administration:					
Centralized Data Processing	2,146	-	-	-	(2,146)
All Other General Administration	381,997	-	42,812	-	(339,185)
Plant Services	245,706	-	-	-	(245,706)
Enterprise Activities	-	-	34,400	-	34,400
Other outgo	7,212	-	1	-	(7,211)
Interest on Long-Term Debt	99,294	-	-	-	(99,294)
Total Expenses	<u>\$ 3,298,889</u>	<u>\$ 26,789</u>	<u>\$ 1,401,616</u>	<u>\$ -</u>	<u>\$ (1,870,484)</u>
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					766,124
Taxes Levied for Debt Service					97,386
Taxes Levied for Other Purposes					(77)
Federal and State Aid Not Restricted to Specific Programs					757,616
Interest and Investment Earnings					13,255
Interagency Revenues					243,860
Miscellaneous					66,855
Total General Revenue					<u>\$ 1,945,019</u>
Change in Net Position					74,535
Net Position Beginning					2,436,198
Adjustment to Beginning Balance (Note O)					130,034
Net Position Beginning as Adjusted					<u>2,566,232</u>
Net Position Ending					<u>\$ 2,640,767</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2013

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 416,691	\$ 2,506,072	\$ 693,493	\$ 3,616,256
Cash on Hand and in Banks	1,055	-	1,599	2,654
Cash in Revolving Fund	6,005	-	-	6,005
Accounts Receivable	882,319	1,983	4,161	888,463
Due from Other Funds	174,662	-	33,300	207,962
Total Assets	<u>1,480,732</u>	<u>2,508,055</u>	<u>732,553</u>	<u>4,721,340</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 178,996	\$ -	\$ 10,558	\$ 189,554
Due to Other Funds	207,962	-	-	207,962
Total Liabilities	<u>386,958</u>	<u>-</u>	<u>10,558</u>	<u>397,516</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	6,005	-	-	6,005
Restricted Fund Balances	287,832	-	13,716	301,548
Committed Fund Balances	-	2,508,055	692,675	3,200,730
Assigned Fund Balances	-	-	15,604	15,604
Unassigned:				
Reserve for Economic Uncertainty	799,937	-	-	799,937
Other Unassigned	-	-	-	-
Unassigned, reported in nonmajor:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total Fund Balance	<u>1,093,774</u>	<u>2,508,055</u>	<u>721,995</u>	<u>4,323,824</u>
Total Liabilities and Fund Balances	<u>\$ 1,480,732</u>	<u>\$ 2,508,055</u>	<u>\$ 732,553</u>	<u>\$ 4,721,340</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances, governmental funds	\$	4,323,825
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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:	2,791,020	
Accumulated depreciation:	<u>(1,832,037)</u>	
	Net:	958,983

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net position are:	216,366
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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 unamatured interest owing at the end of the period was:	(46,396)
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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	2,499,852	
Accreted interest	3,672	
Bond premium	216,366	
Net OPEB obligation	47,061	
Compensated absences payable	45,061	<u>(2,812,012)</u>

Total net position, governmental activities	\$	<u><u>2,640,766</u></u>
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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, 2013

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 1,034,881	\$ -	\$ -	\$ 1,034,881
Local Sources	153,406	-	-	153,406
Federal Revenue	547,791	-	53,549	601,340
Other State Revenue	391,497	-	5,629	397,126
Other Local Revenue	998,712	8,203	179,755	1,186,670
Total Revenues	<u>3,126,287</u>	<u>8,203</u>	<u>238,933</u>	<u>3,373,423</u>
Expenditures:				
Instruction	1,903,859	-	750	1,904,609
Instruction - Related Services	263,110	-	-	263,110
Pupil Services	212,084	-	134,097	346,181
General Administration	240,010	-	8,940	248,950
Plant Services	198,118	-	90,429	288,547
Debt Service:				
Interest	-	-	56,438	56,438
Total Expenditures	<u>2,817,181</u>	<u>-</u>	<u>290,654</u>	<u>3,107,835</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>309,106</u>	<u>8,203</u>	<u>(51,721)</u>	<u>265,588</u>
Other Financing Sources (Uses):				
Transfers In	185,938	-	33,300	219,238
Transfers Out	(219,238)	-	-	(219,238)
Other Sources	-	2,499,852	-	2,499,852
Total Other Financing Sources (Uses)	<u>(33,300)</u>	<u>2,499,852</u>	<u>33,300</u>	<u>2,499,852</u>
Net Change in Fund Balance	275,806	2,508,055	(18,421)	2,765,440
Fund Balance, July 1	817,968	-	740,416	1,558,384
Fund Balance, June 30	<u>\$ 1,093,774</u>	<u>\$ 2,508,055</u>	<u>\$ 721,995</u>	<u>\$ 4,323,824</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Total change in fund balances, governmental funds \$ 2,765,440

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:

	57,546	
Expenditures for capital outlay		
Depreciation expense	(145,401)	
Net:		(87,855)

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: (2,499,852)

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: (50,068)

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:

Issue costs amortized for the period	(7,213)
--------------------------------------	---------

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: (47,061)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is. 7,212

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: (6,068)

Change in net assets of governmental activities - statement of activities \$ 74,535

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 1,882
Total Assets	<u>1,882</u>
LIABILITIES:	
Due to Student Groups	\$ 1,882
Total Liabilities	<u>1,882</u>
NET POSITION:	
Total Net Position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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, 2013

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.

Capital Facilities Fund. This fund is used to account for the acquisition of capital assets from the use of developer fees.

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, 2013

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. 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.

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

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. 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.

f. Deferred Revenue

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

g. 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.

h. 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.

i. 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, 2013

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.

j. 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.

k. 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.

l. 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.

DEHESA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013

m. GASB 63 Implementation

The District has implemented GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The purpose of this pronouncement is to improve financial reporting by standardizing the presentation of deferred inflows and outflows of resources and their effects on a government's net position. Transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows and inflows of resources which are distinguished from assets and liabilities. Net position is the difference between 1) assets and deferred outflows of resources; and 2) liabilities and deferred inflows of resources. For the year ended June 30, 2013 the District did not have any items which would be considered deferred outflows and inflows of resources.

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

C. Excess of Expenditures Over Appropriations

As of June 30, 2013, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 29,000
Classified salaries	40,589
Employee benefits	41,369
Services and other operating expenditures	3,762
Capital outlay	14,379

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 (\$3,616,256 as of June 30, 2013). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$3,616,256. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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

Cash balances on hand and in banks (\$4,536 as of June 30, 2013) 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. 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 AA+ by Standard & Pools.

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. At year end, the District 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. At year end, 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 Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$3,616,256 and a book value of \$3,616,256. The weighted average days to maturity for this investment pool is 370 days.

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.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

4. 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.

E. Accounts Receivable

Accounts receivable at June 30, 2013 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Federal Government:				
Federal programs	\$ 220,320	\$ 3,440	\$ -	\$ 223,760
State Government:				
Revenue Limit	255,559	-	-	255,559
Lottery	17,548	-	-	17,548
Other state programs	102,552	276	-	102,828
Local Sources:				
Interest	497	245	2,177	2,919
Other local sources	285,843	-	-	285,843
Totals	<u>\$ 882,319</u>	<u>\$ 3,961</u>	<u>\$ 2,177</u>	<u>\$ 888,457</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

F. Capital Assets

Capital asset activity for the year ended June 30, 2013, 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	11,934	12,700	-	24,634
Total capital assets not being depreciated	<u>14,934</u>	<u>12,700</u>	<u>-</u>	<u>27,634</u>
Capital assets being depreciated:				
Buildings	2,028,798	30,467	-	2,059,265
Improvements	9,900	-	-	9,900
Equipment	679,842	14,379	-	694,221
Total capital assets being depreciated	<u>2,718,540</u>	<u>44,846</u>	<u>-</u>	<u>2,763,386</u>
Less accumulated depreciation for:				
Buildings	(1,274,806)	(79,413)	-	(1,354,219)
Improvements	(9,900)	-	-	(9,900)
Equipment	(401,930)	(65,988)	-	(467,918)
Total accumulated depreciation	<u>(1,686,636)</u>	<u>(145,401)</u>	<u>-</u>	<u>(1,832,037)</u>
Total capital assets being depreciated, net	<u>1,031,904</u>	<u>(100,555)</u>	<u>-</u>	<u>931,349</u>
Governmental activities capital assets, net	<u>\$ 1,046,838</u>	<u>\$ (87,855)</u>	<u>\$ -</u>	<u>\$ 958,983</u>

Depreciation was charged to functions as follows:

General Administration	\$ 145,401
	<u>\$ 145,401</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Child Development Fund	General Fund	\$ 3,300	Loan for payroll
Deferred Maintenance Fund	General Fund	30,000	RRMA contribution
Special Reserve Fund	General Fund	157,312	Oversight fees
General Fund	Special Reserve Fund	17,350	Expense reimbursement
	Total	<u>\$ 207,962</u>	

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

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2013, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Child Development Fund	\$ 3,300	Loan for payroll
General Fund	Deferred Maintenance Fund	30,000	RRMA contribution
General Fund	Special Reserve Fund	157,312	Oversight fees
Special Reserve Fund	General Fund	28,626	Expense reimbursement
	Total	<u>\$ 219,238</u>	

H. Accounts Payable

Accounts payable at June 30, 2013 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Vendor payables	\$ 163,163	\$ 14	\$ 10,009	\$ 173,186
Payroll and related benefits	15,833	535	-	16,368
Totals	<u>\$ 178,996</u>	<u>\$ 549</u>	<u>\$ 10,009</u>	<u>\$ 189,554</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, 2013, 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	\$ -	\$ 2,499,852	\$ 80,000
Accreted interest	-	3,672	-	3,672	-
Bond premium	-	223,578	7,212	216,366	7,212
Compensated absences *	38,993	6,068	-	45,061	45,061
Net OPEB obligation	-	47,061	-	47,061	-
Total governmental activities	<u>\$ 38,993</u>	<u>\$ 2,780,231</u>	<u>\$ 7,212</u>	<u>\$ 2,812,012</u>	<u>\$ 132,273</u>

* 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

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium and accreted interest, at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	Governmental Activities		
	Principal	Interest	Total
2014	\$ 125,061	\$ 109,388	\$ 234,449
2015	-	107,425	107,425
2016	-	107,425	107,425
2017	-	107,425	107,425
2018	-	107,425	107,425
2019-2023	110,000	528,125	638,125
2024-2028	265,000	494,212	759,212
2029-2033	403,552	430,124	833,676
2034-2038	341,300	389,450	730,750
2039-2043	1,030,000	216,038	1,246,038
2044-2048	270,000	7,088	277,088
Totals	<u>\$ 2,544,913</u>	<u>\$ 2,604,125</u>	<u>\$ 5,149,038</u>

3. General Obligation Bonds

General obligation bonds at June 30, 2013 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2010 Election Series A	08/01/2012	3.00-4.00%	08/01/2043	<u>\$ 2,499,852</u>
	Beginning Balance	Increases	Decreases	Ending Balance
2010 Election Series A	\$ -	\$ 2,499,852	\$ -	\$ 2,499,852
2010 Accreted Interest	-	3,672	-	3,672
Total GO Bonds	<u>\$ -</u>	<u>\$ 2,503,524</u>	<u>\$ -</u>	<u>\$ 2,503,524</u>

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	Principal	Accreted Interest		Total
		Interest	Interest	
2014	\$ 80,000	\$ 7,600	\$ 109,388	\$ 196,988
2015	-	8,255	107,425	115,680
2016	-	8,961	107,425	116,386
2017	-	9,735	107,425	117,159
2018	-	10,565	107,425	117,991
2019-2023	110,000	68,116	528,125	706,241
2024-2028	265,000	102,835	494,212	862,047
2029-2033	403,552	150,482	430,124	984,158
2034-2038	341,300	45,078	389,450	775,828
2039-2043	1,030,000	-	216,038	1,246,038
2044-2048	270,000	-	7,088	277,088
Totals	<u>\$ 2,499,852</u>	<u>\$ 411,627</u>	<u>\$ 2,604,125</u>	<u>\$ 5,515,604</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

J. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRMS). 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.

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2013 is as follows:

Total Assets	\$	(40,009)
Total Liabilities		1,353
Total Fund Balance		(41,362)
Total Cash Receipts		12,055
Total Cash Disbursements		9,191
Net Change in Fund Balance		2,864

The District has a repayment plan in place to repay the deficit balance at June 30, 2013.

K. 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 2012-13 was 11.417% 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, 2013, 2012 and 2011 were \$49,188, \$41,841 and \$41,195, respectively, and equal 100% of the required contributions for each year.

DEHESA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013

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.

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 2012-13 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, 2013, 2012 and 2011 were \$74,321, \$74,741 and \$74,805, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$47,561.

L. 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 June 30, 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 2012-13, the District contributed \$20,458 for health care benefits which represented 30.3% 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>(20,458)</u>
Increase in net OPEB obligation	47,061
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 47,061</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$67,519	30.3%	\$47,061

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, 2013 of 30 years.

M. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to 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.

DEHESA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013

N. Subsequent Events

Effective for the fiscal year beginning July 1, 2013 the District is implementing GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows of resources.

O. Adjustment to Beginning Net Assets

An adjustment was made to the beginning net assets in the Government Wide Financial Statements in the amount of \$130,034 to account for the recognition of the Charter School Fund. Now that eAcademy charter school has been dissolved the District is account for transactions associated with the charter school.

Net Assets, Beginning (As Originally Stated)	\$ 2,436,198
Adjustment for recognition of Charter School Fund	<u>130,034</u>
Net Assets, Beginning (As Restated)	<u>\$ 2,566,232</u>

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, 2013

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 976,238	\$ 976,238	\$ 1,034,881	\$ 58,643
Local Sources	129,131	129,131	153,406	24,275
Federal Revenue	389,375	389,375	547,791	158,416
Other State Revenue	350,088	350,088	391,497	41,409
Other Local Revenue	989,289	989,289	997,655	8,366
Total Revenues	<u>2,834,121</u>	<u>2,834,121</u>	<u>3,125,230</u>	<u>291,109</u>
Expenditures:				
Current:				
Certificated Salaries	887,957	887,957	916,957	(29,000)
Classified Salaries	426,922	426,922	467,511	(40,589)
Employee Benefits	352,080	352,080	393,449	(41,369)
Books And Supplies	156,449	156,449	104,450	51,999
Services And Other Operating Expenditures	916,673	916,673	920,435	(3,762)
Capital Outlay	-	-	14,379	(14,379)
Total Expenditures	<u>2,740,081</u>	<u>2,740,081</u>	<u>2,817,181</u>	<u>(77,100)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>94,040</u>	<u>94,040</u>	<u>308,049</u>	<u>214,009</u>
Other Financing Sources (Uses):				
Transfers In	17,350	17,350	28,626	11,276
Transfers Out	(2,312)	(2,312)	(190,612)	(188,300)
Total Other Financing Sources (Uses)	<u>15,038</u>	<u>15,038</u>	<u>(161,986)</u>	<u>(177,024)</u>
Net Change in Fund Balance	<u>109,078</u>	<u>109,078</u>	<u>146,063</u>	<u>36,985</u>
Fund Balance, July 1	439,184	439,184	439,184	-
Fund Balance, June 30	<u>\$ 548,262</u>	<u>\$ 548,262</u>	<u>\$ 585,247</u>	<u>\$ 36,985</u>

DEHESA SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 RETIREE HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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, 2013

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) is 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.

DEHESA SCHOOL DISTRICT

DEHESA SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA

AUDIT REPORT
JUNE 30, 2013

To: Members of the Board and
Supt. Janet Wilson
From: Gary Hobelman
Subject: 2012-13 Audit Report

Meeting Date: February 20, 2014

<input checked="" type="checkbox"/>	Action
<input type="checkbox"/>	First Reading
<input type="checkbox"/>	Information
<input type="checkbox"/>	Presentation
<input type="checkbox"/>	Discussion
<input type="checkbox"/>	Public Hearing
<input type="checkbox"/>	Roll Call Vote Required

Background:
Each year the district contracts with an accounting firm to conduct a thorough audit. The district's annual audit provides an objective review of how the districted operated during the prior fiscal year.

Report:
This year's audit was conducted by the firm of Wilkinson Hadley King & Co. LLP. Enclosed with your packet is a full audit report for fiscal year 2012-13 ending June 30, 2013. This year's audit identified five findings which are outlined in detail on p.60 to 62 of the Audit Report. District administration is aware of these findings and a process has been put into place to address each finding.

Financial Impact:
N/A

Student Impact:
N/A

Recommendation:
Administration recommends acceptance of the 2012-13 Audit Report.

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Agenda Item #: VII.B.4

Dehesa School District
 Audit Report
 For The Year Ended June 30, 2013

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Introductory Section

Dehesa School District
 Audit Report
 For The Year Ended June 30, 2013

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Financial Section

Emphasis of Matter

As described in Note A to the financial statements, in 2013, Dehesa School District adopted new accounting guidance. Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 and budgetary comparison information 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 and individual nonmajor fund 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 2012-13*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund 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 and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Wilkinson Hadley King & Co., LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

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, 2013, 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, 2013, 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.

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. 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 \$2,640,767 an increase of \$204,569 from prior year.
- Total Revenues were \$3,373,424, and total cost of basic programs was \$3,298,889.
- Revenues exceeded program costs by \$74,535.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - Management's Discussion and Analysis (this section), the Basic Financial Statement, Required Supplementary Information, and other Supplementary Information Section. The Basic Financials 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014 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.

William Anthony King & Co, LLP

El Cajon, California
January 30, 2014

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2013

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, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Fund Statements		
	District-Wide	Governmental Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary fiduciary, such as special education and building maintenance
Required financial statements	<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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability	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
Type of inflow/outflow information	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, 2013

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets. The District's total revenue was \$3,373,424. (See Table A-2). The total cost of all programs and services was \$3,298,889. Total expenses surpassed revenue by \$74,535.

	June 30, 2013	June 30, 2012	Difference
Revenues			
Program Revenues	\$ 26,789	\$ 22,249	\$ 4,540
Charges for Services	\$ 1,401,616	\$ 1,498,984	\$ (97,368)
Operating Grants and Contributions	\$ 0	\$ 0	\$ 0
Capital Grants and Contributions	\$ 0	\$ 0	\$ 0
General Revenues			
Revenue Limit Sources	\$ 863,433	\$ 1,166,921	\$ (303,488)
Federal & State Revenue	\$ 757,616	\$ 443,568	\$ 314,048
Local Revenue	\$ 323,970	\$ 190,964	\$ 133,006
Total Revenues	\$ 3,373,424	\$ 3,322,686	\$ 50,738
Expenses			
Instruction	\$ 1,951,672	\$ 2,188,691	\$ (237,019)
Instruction-Related Services	\$ 263,222	\$ 250,658	\$ 12,564
Pupil Services	\$ 347,640	\$ 335,478	\$ 12,162
General Administration	\$ 384,143	\$ 364,909	\$ 19,234
Plant Services	\$ 245,706	\$ 243,254	\$ 2,452
Other Outgo	\$ 7,212	\$ 0	\$ 7,212
Interest on Long-Term Debt	\$ 99,294	\$ 0	\$ 99,294
Total Expenses	\$ 3,298,889	\$ 3,382,990	\$ 84,101
Change in Net Assets	\$ 74,535	\$ (60,304)	\$ 134,839

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 \$1,870,484.
- Revenues from users of the District's programs amounted to \$26,789.
- Federal and state Governments subsidized programs contributions was \$1,401,616.
- Revenue from Revenue Limit sources was \$863,433.
- Local and miscellaneous revenues account for \$323,970.
- Net position increased by \$74,535.

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013

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 Assets. The District's combined net position as of June 30, 2013, was \$2,640,767. (See Table A-1.)

	June 30, 2013	June 30, 2012	\$ Change
Current & Other Assets	\$ 4,729,745	\$ 1,794,701	\$ 2,935,044
Capital Assets, Net of Depreciation	\$ 958,983	\$ 1,046,838	\$ (87,855)
Total Assets	\$ 5,688,728	\$ 2,841,539	\$ 2,847,189
Current Liabilities	\$ 235,949	\$ 366,348	\$ (130,399)
General Long-Term Debt	\$ 2,812,012	\$ 38,993	\$ 2,773,019
Total Liabilities	\$ 3,047,961	\$ 405,341	\$ 2,642,620
Net Position			
Invested in Capital Assets		\$ 1,046,838	\$ (1,046,838)
Restricted	\$ 287,832	\$ 719,085	\$ (431,253)
Unrestricted	\$ 2,352,935	\$ 670,275	\$ 1,682,666
Total Net Position	\$ 2,640,767	\$ 2,436,198	\$ 204,569

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

	Table A-5 Long Term Debt		
	June 30, 2013	June 30, 2012	\$ Change
Compensated Absences	\$ 45,061	\$ 38,993	\$ 6,068
GO Bonds	\$ 2,499,852	0	\$ 2,499,852
Accrued Interest	\$ 3,672	0	\$ 3,672
Net OPEB Obligation	\$ 47,061	0	\$ 47,061
Bond Premium	\$ 216,366	0	\$ 216,366
Total Long Term Debt	\$ 2,812,012	\$ 38,993	\$ 2,773,019

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 Gary Hobeilman, Business Manager, Dehesa School District, 4612 Dehesa Road, El Cajon, CA 92019.

Dehesa School District

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013

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 2012 - 2013 with a total combined, governmental fund balance of \$4,324,824.

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, Safe and Drug Free Schools; state amounts such as Special Education, EIA, and Lottery.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets (net of depreciation) are at \$958,983. These assets include Land, Land Improvements, Building Construction and Equipment. Total depreciation expense for the year was \$145,401. Total new assets purchased during the year were \$57,546, and consisted of computer equipment and work in process for new construction.

	Table A-4 Capital Assets		
	June 30, 2013	June 30, 2012	\$ Change
Work in Progress	\$ 24,634	\$ 0	\$ 24,634
Land	\$ 3,000	\$ 3,000	\$ 0
Buildings	\$ 2,059,265	\$ 2,040,732	\$ 18,533
Land Improvements	\$ 9,900	\$ 9,900	\$ 0
Equipment	\$ 694,221	\$ 679,843	\$ 14,378
Less: Accumulated Depreciation	(\$1,832,037)	(\$1,686,637)	(\$145,401)
Total Capital Assets, Net of Depreciation	\$ 958,983	\$ 1,046,838	(\$ 87,855)

DEHESA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A-1

ASSETS:	
Cash	\$ 3,624,915
Accounts Receivable	888,464
Prepaid expenses	216,366
Capital Assets:	
Land	3,000
Land Improvements	9,900
Buildings	2,059,265
Equipment	694,221
Work in Progress	24,534
Less Accumulated Depreciation	(1,832,037)
Total Assets	<u>5,668,728</u>
LIABILITIES:	
Accounts Payable	235,949
Long-Term Liabilities:	
Due Within One Year	132,273
Due in More Than One Year	2,676,067
Accrued Interest	9,572
Total Liabilities	<u>3,047,861</u>
NET POSITION:	
Restricted for:	
Capital Projects	24,534
Debt Service	1,089,818
Educational Programs	937,043
Other Purposes (Expendable)	301,440
Other Purposes (Nonexpendable)	287,832
Unrestricted	-
Total Net Position	<u>\$ 2,640,767</u>

Basic Financial Statements

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

EXHIBIT A-3

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 416,691	\$ 2,506,072	\$ 693,493	\$ 3,616,256
Cash on Hand and in Banks	1,055	-	1,599	2,654
Cash in Revolving Fund	6,005	-	-	6,005
Accounts Receivable	882,319	1,983	4,161	888,463
Due from Other Funds	174,662	-	33,300	207,962
Total Assets	<u>1,480,732</u>	<u>2,508,055</u>	<u>732,553</u>	<u>4,721,340</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 178,996	\$ -	\$ 10,598	\$ 189,594
Due to Other Funds	207,962	-	-	207,962
Total Liabilities	<u>386,958</u>	<u>-</u>	<u>10,598</u>	<u>397,516</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	6,005	-	-	6,005
Restricted Fund Balances	287,892	-	13,716	301,548
Committed Fund Balances	-	2,508,055	692,675	3,200,730
Assigned Fund Balances	-	-	15,604	15,604
Unassigned:				
Reserve for Economic Uncertainty	799,937	-	-	799,937
Other Unassigned	-	-	-	-
Unassigned, reported in nonmajor:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total Fund Balance	<u>1,093,774</u>	<u>2,508,055</u>	<u>721,995</u>	<u>4,323,824</u>
Total Liabilities and Fund Balances	<u>\$ 1,480,732</u>	<u>\$ 2,508,055</u>	<u>\$ 732,553</u>	<u>\$ 4,721,340</u>

DEHESA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT A-2

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenditures					
Governmental Activities:	\$ 1,951,672	\$ -	\$ 1,045,363	\$ -	\$ (906,309)
Instruction					
Instruction-Related Services:					
Instructional Supervision	28,293	-	28,572	-	279
and Administrative					
Instructional Library, Media and Technology	15,393	-	-	-	(15,393)
School Site Administration	219,536	-	28,182	-	(191,354)
Pupil Services:					
Home-to-School Transportation	123,416	-	78,957	-	(44,459)
Food Services	78,020	26,799	57,809	-	6,578
All Other Pupil Services	146,204	-	85,520	-	(60,684)
General Administration:					
Centralized Data Processing	2,146	-	-	-	(2,146)
All Other General Administration	381,997	-	42,812	-	(339,185)
Plant Services	245,706	-	34,400	-	(245,706)
Enterprise Activities	-	-	-	-	34,400
Other outgo	7,212	-	1	-	(7,211)
Interest on Long-Term Debt	99,294	-	-	-	(99,294)
Total Expenses	<u>\$ 3,298,889</u>	<u>\$ 26,799</u>	<u>\$ 1,401,616</u>	<u>\$ -</u>	<u>\$ (1,870,484)</u>
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					766,124
Taxes Levied for Debt Service					97,386
Taxes Levied for Other Purposes					(77)
Federal and State Aid Not Restricted to Specific Programs					757,616
Interest and Investment Earnings					13,255
Interagency Revenues					243,860
Miscellaneous					66,855
Total General Revenue					<u>\$ 1,945,019</u>
Change in Net Position					74,535
Net Position Beginning					2,436,198
Adjustment to Beginning Balance (Note O)					130,034
Net Position Beginning as Adjusted					<u>2,566,232</u>
Net Position Ending					<u>\$ 2,640,767</u>

The accompanying notes are an integral part of this statement.

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, 2013

EXHIBIT A-5

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:	\$ 1,034,881	\$ -	\$ -	\$ 1,034,881
State Appropriations	153,406	-	-	153,406
Local Sources	547,791	-	53,549	601,340
Federal Revenue	391,497	-	5,629	397,126
Other State Revenue	998,712	8,203	179,795	1,186,670
Other Local Revenue	3,126,287	8,203	238,993	3,373,423
Total Revenues	6,100,164	16,609	478,367	6,595,140
Expenditures:				
Instruction	1,903,859	-	750	1,904,609
Instruction - Related Services	283,110	-	-	283,110
Pupil Services	212,084	-	134,097	346,181
General Administration	240,010	-	8,940	248,950
Plant Services	198,118	-	90,429	288,547
Debt Service:	-	-	-	-
Interest	-	-	56,438	56,438
Total Expenditures	2,817,181	-	280,654	3,107,835
Excess (Deficiency) of Revenues Over (Under) Expenditures	309,106	8,203	(51,721)	265,588
Other Financing Sources (Uses):				
Transfers In	185,938	-	33,300	219,238
Transfers Out	(219,238)	-	-	(219,238)
Other Sources	(33,300)	2,499,852	33,300	2,499,852
Total Other Financing Sources (Uses)	275,806	2,508,055	(18,421)	2,765,440
Net Change in Fund Balance	817,968	-	740,416	1,558,384
Fund Balance, July 1	1,993,774	2,508,055	721,995	4,323,824
Fund Balance, June 30	1,993,774	2,508,055	721,995	4,323,824

DEHESA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A-4

Total fund balances, governmental funds	\$ 4,323,825
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.	2,791,020
Capital assets relating to governmental activities, at historical cost:	
Accumulated depreciation:	(1,832,057)
Net:	958,983
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net position are:	216,366
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 unamortized interest owing at the end of the period was:	(46,396)
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	2,499,852
Accrued interest	3,672
Bond premium	216,366
Net OPEB obligation	47,061
Compensated absences payable	45,061
Total net position, governmental activities	\$ 2,640,786

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

EXHIBIT A-7

	Agency Fund
ASSETS:	
Cash on Hand and in Banks	\$ 1,892
Total Assets	<u>1,892</u>
LIABILITIES:	
Due to Student Groups	\$ 1,892
Total Liabilities	<u>1,892</u>
NET POSITION:	
Total Net Position	<u>\$ -</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, 2013

EXHIBIT A-6

Total change in fund balances, governmental funds	\$ 2,765,440
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:	(2,499,852)
Expenditures for capital outlay	57,546
Depreciation expense	<u>(145,401)</u>
Net:	(87,855)
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:	(50,068)
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:	(7,213)
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:	(47,061)
Issue costs amortized for the period	7,212
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:	(6,068)
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:	74,535
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:	-
Change in net assets of governmental activities - statement of activities	<u>\$ 74,535</u>

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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.

Capital Facilities Fund. This fund is used to account for the acquisition of capital assets from the use of developer fees.

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 may

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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, 2013

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. 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.

f. Deferred Revenue

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

g. 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.

h. 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.

i. 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, 2013

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. 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 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.

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

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

4. 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.

E. Accounts Receivable

Accounts receivable at June 30, 2013 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Federal Government:				
Federal programs	\$ 220,320	\$ 3,440	\$ -	\$ 223,760
State Government:				
Revenue Limit	255,559	-	-	255,559
Lottery	17,548	-	-	17,548
Other state programs	102,552	276	-	102,828
Local Sources:				
Interest	497	245	2,177	2,919
Other local sources	285,843	-	-	285,843
Totals	\$ 882,319	\$ 3,961	\$ 2,177	\$ 888,457

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

Cash balances on hand and in banks (\$4,536 as of June 30, 2013) 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. 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 AAM 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. At year end, the District 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. At year end, 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 Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$3,616,256 and a book value of \$3,616,256. The weighted average days to maturity for this investment pool is 370 days.

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.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Child Development Fund	\$ 3,300	Loan for payroll
General Fund	Deferred Maintenance Fund	30,000	RRMA contribution
General Fund	Special Reserve Fund	157,312	Oversight fees
Special Reserve Fund	General Fund	28,826	Expense reimbursement
	Total	\$ 219,238	

H. Accounts Payable

Accounts payable at June 30, 2013 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Fund	Total
Vendor payables	\$ 163,163	14	10,009	\$ 173,186
Payroll and related benefits	15,833	535	-	16,368
Totals	\$ 178,996	549	10,009	\$ 189,554

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, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	\$ 2,499,852	-	\$ 2,499,852	\$ 80,000
Accrued interest	3,672	-	-	3,672	-
Bond premium	223,578	-	7,212	216,366	7,212
Compensated absences *	38,993	-	-	45,061	45,061
Net OPEB obligation	-	47,061	-	47,061	-
Total governmental activities	\$ 38,993	\$ 2,780,231	\$ 7,212	\$ 2,812,012	\$ 132,273

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

F. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,000	-	-	\$ 3,000
Work in progress	11,934	12,700	-	24,634
Total capital assets not being depreciated	14,934	12,700	-	27,634
Capital assets being depreciated:				
Buildings	2,028,798	30,467	-	2,059,265
Improvements	9,900	-	-	9,900
Equipment	679,842	14,379	-	694,221
Total capital assets being depreciated	2,718,540	44,846	-	2,763,386
Less accumulated depreciation for:				
Buildings	(1,274,806)	(79,413)	-	(1,354,219)
Improvements	(9,900)	-	-	(9,900)
Equipment	(401,930)	(65,988)	-	(467,918)
Total accumulated depreciation	(1,686,636)	(145,401)	-	(1,832,037)
Total capital assets being depreciated, net	1,031,904	(100,555)	-	931,349
Governmental activities capital assets, net	\$ 1,046,838	\$ (87,855)	\$ -	\$ 958,983

Depreciation was charged to functions as follows:

General Administration	\$ 145,401
Total	\$ 145,401

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Child Development Fund	General Fund	\$ 3,300	Loan for payroll
Deferred Maintenance Fund	General Fund	30,000	RRMA contribution
Special Reserve Fund	General Fund	157,312	Oversight fees
General Fund	Special Reserve Fund	17,350	Expense reimbursement
Total	Total	\$ 207,962	

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

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

J. 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.

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2013 is as follows:

Total Assets	\$ (40,009)
Total Liabilities	1,353
Total Fund Balance	(41,362)
Total Cash Receipts	12,055
Total Cash Disbursements	9,191
Net Change in Fund Balance	2,864

The District has a repayment plan in place to repay the deficit balance at June 30, 2013.

K. 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 2012-13 was 11.417% 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, 2013, 2012 and 2011 were \$49,188, \$41,841 and \$41,195, respectively, and equal 100% of the required contributions for each year.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium and accreted interest, at June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 125,061	\$ 109,386	\$ 234,447
2015	-	107,425	107,425
2016	-	107,425	107,425
2017	-	107,425	107,425
2018	-	107,425	107,425
2019-2023	110,000	528,125	638,125
2024-2028	285,000	494,212	779,212
2029-2033	403,552	430,124	833,676
2034-2038	341,300	389,450	730,750
2039-2043	1,030,000	216,038	1,246,038
2044-2048	270,000	7,088	277,088
Totals	<u>\$ 2,544,913</u>	<u>\$ 2,604,125</u>	<u>\$ 5,149,038</u>

3. General Obligation Bonds

General obligation bonds at June 30, 2013 consisted of the following:

2010 Election Series A	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Beginning Balance		Ending Balance	
					Increases	Decreases	Increases	Decreases
2010 Election Series A	08/01/2012	3.00-4.00%	08/01/2043	\$ 2,499,852	-	-	-	\$ 2,499,852
2010 Accreted Interest				-	3,672	-	-	3,672
Total GO Bonds				<u>\$ -</u>	<u>\$ 2,503,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,503,524</u>

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Accreted Interest		Total
		Interest	Interest	
2014	\$ 80,000	\$ 7,600	\$ 109,386	\$ 196,988
2015	-	8,295	107,425	115,680
2016	-	8,961	107,425	116,386
2017	-	9,735	107,425	117,159
2018	-	10,565	107,425	117,991
2019-2023	110,000	68,116	528,125	706,241
2024-2028	265,000	88,116	494,212	862,047
2029-2033	403,552	150,482	430,124	864,158
2034-2038	341,300	45,078	389,450	775,828
2039-2043	1,030,000	-	216,038	1,246,038
2044-2048	270,000	-	7,088	277,088
Totals	<u>\$ 2,499,852</u>	<u>\$ 411,627</u>	<u>\$ 2,604,125</u>	<u>\$ 5,515,604</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 was as follows:

Year Ended	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2013	\$67,519	30.3%	\$47,061

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 Actuarial 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, 2013 of 30 years.

M. Commitments and Contingencies.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to 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.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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.

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 2012-13 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, 2013, 2012 and 2011 were \$74,521, \$74,741 and \$74,905, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$47,561.

L. 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 June 30, 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 2012-13, the District contributed \$20,458 for health care benefits which represented 30.3% 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 (ARCO), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARCO 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	(20,458)
Increase in net OPEB obligation	47,061
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 47,061

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

N. Subsequent Events

Effective for the fiscal year beginning July 1, 2013, the District is implementing GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows of resources.

O. Adjustment to Beginning Net Assets

An adjustment was made to the beginning net assets in the Government Wide Financial Statements in the amount of \$130,034 to account for the recognition of the Charter School Fund. Now that eAcademy charter school has been dissolved the District is account for transactions associated with the charter school.

Net Assets, Beginning (As Originally Stated)	\$ 2,436,198
Adjustment for recognition of Charter School Fund	<u>130,034</u>
Net Assets, Beginning (As Restated)	<u>\$ 2,566,232</u>

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
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 RETIREE HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2013

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

DEHESA SCHOOL DISTRICT
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B-1

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Revenue Limit Sources:	\$ 976,238	\$ 976,238	\$ 1,034,861	\$ 56,643
State Appropriations	129,131	129,131	153,406	24,275
Local Sources	389,375	389,375	547,791	158,416
Federal Revenue	350,088	350,088	391,497	41,409
Other State Revenue	989,289	989,289	997,655	8,366
Other Local Revenue	2,834,121	2,834,121	3,125,230	291,109
Total Revenues				
Expenditures:				
Current:				
Certificated Salaries	887,957	887,957	916,957	(29,000)
Classified Salaries	426,922	426,922	467,511	(40,589)
Employee Benefits	352,080	352,080	393,449	(41,369)
Books And Supplies	156,449	156,449	104,450	51,999
Services And Other Operating Expenditures	916,673	916,673	920,435	(3,762)
Capital Outlay	-	-	14,379	(14,379)
Total Expenditures	2,740,081	2,740,081	2,817,181	(77,100)
Excess (Deficiency) of Revenues Over (Under) Expenditures	94,040	94,040	308,049	214,009
Other Financing Sources (Uses):				
Transfers In	17,350	17,350	28,626	11,276
Transfers Out	(2,312)	(2,312)	(190,612)	(188,300)
Total Other Financing Sources (Uses)	15,038	15,038	(161,986)	(177,024)
Net Change in Fund Balance	109,078	109,078	146,063	36,985
Fund Balance, July 1	439,184	439,184	439,184	-
Fund Balance, June 30	\$ 548,262	\$ 548,262	\$ 585,247	\$ 36,985

DEHESA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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) is 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.

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, 2013

	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	\$ 310,073	\$ 134,634	\$ 248,786	\$ 693,493
Cash on Hand and in Banks	1,599	-	-	1,599
Accounts Receivable	3,961	-	200	4,161
Due from Other Funds	33,300	-	-	33,300
Total Assets	<u>348,933</u>	<u>134,634</u>	<u>248,986</u>	<u>732,553</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 549	\$ -	\$ 10,009	\$ 10,558
Total Liabilities	<u>549</u>	<u>-</u>	<u>10,009</u>	<u>10,558</u>
Fund Balance:				
Nonspendable Fund Balances:				
Restricted Fund Balances	13,716	-	-	13,716
Committed Fund Balances	326,439	134,634	231,602	692,675
Assigned Fund Balances	8,229	-	7,375	15,604
Total Fund Balance	<u>348,384</u>	<u>134,634</u>	<u>238,977</u>	<u>721,995</u>
Total Liabilities and Fund Balances	<u>\$ 348,933</u>	<u>\$ 134,634</u>	<u>\$ 248,986</u>	<u>\$ 732,553</u>

DEHESA SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 53,549	\$ -	\$ -	\$ 53,549
Other State Revenue	4,516	1,113	-	5,629
Other Local Revenue	76,606	96,587	6,562	179,755
Total Revenues	<u>134,671</u>	<u>97,700</u>	<u>6,562</u>	<u>238,933</u>
Expenditures:				
Instruction	750	-	-	750
Pupil Services	134,097	-	-	134,097
General Administration	3,175	-	5,765	8,940
Plant Services	30,200	-	60,229	90,429
Debt Service:				
Interest	-	56,438	-	56,438
Total Expenditures	<u>168,222</u>	<u>56,438</u>	<u>65,994</u>	<u>290,654</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,551)</u>	<u>41,262</u>	<u>(59,432)</u>	<u>(51,721)</u>
Other Financing Sources (Uses):				
Transfers In	33,300	-	-	33,300
Total Other Financing Sources (Uses)	<u>33,300</u>	<u>-</u>	<u>-</u>	<u>33,300</u>
Net Change in Fund Balance	(251)	41,262	(59,432)	(18,421)
Fund Balance, July 1	348,635	93,372	298,409	740,416
Fund Balance, June 30	<u>\$ 348,384</u>	<u>\$ 134,634</u>	<u>\$ 238,977</u>	<u>\$ 721,995</u>

EXHIBIT C-3

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 8,061	\$ 173,903	\$ 310,073
970	-	1,599
3,722	136	3,961
-	30,000	33,300
<u>12,753</u>	<u>204,039</u>	<u>348,933</u>
\$ 218	\$ -	\$ 549
<u>218</u>	<u>-</u>	<u>549</u>
12,535	-	13,716
-	204,039	326,439
-	-	8,229
<u>12,535</u>	<u>204,039</u>	<u>348,384</u>
\$ 12,753	\$ 204,039	\$ 348,933

EXHIBIT C-4

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 53,549	\$ -	\$ 53,549
4,234	-	4,516
26,815	470	76,606
<u>84,598</u>	<u>470</u>	<u>134,671</u>
-	-	750
76,074	-	134,097
-	-	3,175
-	30,200	30,200
<u>76,074</u>	<u>30,200</u>	<u>168,222</u>
8,524	(29,730)	(33,551)
-	30,000	33,300
<u>-</u>	<u>30,000</u>	<u>33,300</u>
8,524	270	(251)
4,011	203,769	348,635
<u>\$ 12,535</u>	<u>\$ 204,039</u>	<u>\$ 348,384</u>

DEHESA SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 241,417	\$ 7,369	\$ 248,786
Accounts Receivable	194	6	200
Total Assets	<u>241,611</u>	<u>7,375</u>	<u>248,986</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 10,009	\$ -	\$ 10,009
Total Liabilities	<u>10,009</u>	<u>-</u>	<u>10,009</u>
Fund Balance:			
Committed Fund Balances	231,602	-	231,602
Assigned Fund Balances	-	7,375	7,375
Total Fund Balance	<u>231,602</u>	<u>7,375</u>	<u>238,977</u>
Total Liabilities and Fund Balances	<u>\$ 241,611</u>	<u>\$ 7,375</u>	<u>\$ 248,986</u>

DEHESA SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 6,535	\$ 27	\$ 6,562
Total Revenues	<u>6,535</u>	<u>27</u>	<u>6,562</u>
Expenditures:			
General Administration	5,765	-	5,765
Plant Services	60,229	-	60,229
Total Expenditures	<u>65,994</u>	<u>-</u>	<u>65,994</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,459)</u>	<u>27</u>	<u>(59,432)</u>
Net Change in Fund Balance	(59,459)	27	(59,432)
Fund Balance, July 1	291,061	7,348	298,409
Fund Balance, June 30	<u>\$ 231,602</u>	<u>\$ 7,375</u>	<u>\$ 238,977</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, 2013

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.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Cindy White	President	Four Year Term Expires November 2014
Jeff Royal	Vice President	Four Year Term Expires November 2016
Karl Becker	Clerk	Four Year Term Expires November 2014
Chuck Husky	Member	Four Year Term Expires November 2014
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, 2013

TABLE D-1

	Second Period Report		Annual Report *	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	34.17	34.17	37.04	N/A
Grades 1 through 3	72.88	72.88	71.45	N/A
Grades 4 through 6	67.53	67.53	67.71	N/A
Grades 7 and 8	27.97	27.97	28.06	N/A
Home and hospital	0.92	0.92	0.90	N/A
Special education	2.13	3.43	2.55	N/A
Elementary totals	<u>205.60</u>	<u>206.90</u>	<u>215.84</u>	<u>N/A</u>
ADA totals	<u>205.60</u>	<u>206.90</u>	<u>215.84</u>	<u>N/A</u>

* N/A-There were no audit revisions to the Annual attendance report.

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

DEHESA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2013

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted & Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted & Reduced</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	34,905	33,935	36,000	35,000	59,122	181	-	Complied
Grade 1	47,505	46,185	50,400	49,000	56,407	181	-	Complied
Grade 2	47,505	46,185	50,400	49,000	56,407	181	-	Complied
Grade 3	47,505	46,185	50,400	49,000	56,407	181	-	Complied
Grade 4	55,245	53,710	54,000	52,500	56,407	181	-	Complied
Grade 5	55,245	53,710	54,000	52,500	56,407	181	-	Complied
Grade 6	55,245	53,710	54,000	52,500	65,355	181	-	Complied
Grade 7	N/A	N/A	54,000	52,500	65,355	181	-	Complied
Grade 8	N/A	N/A	54,000	52,500	65,355	181	-	Complied

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

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

DEHESA SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2013

TABLE D-3

General Fund	Budget 2014 (See Note 1)	2013	2012	2011
Revenues and other financial sources	\$ 2,885,233	\$ 3,153,856	\$ 3,080,278	\$ 2,788,958
Expenditures, other uses and transfers out	2,913,002	3,007,794	3,039,722	2,856,811
Change in fund balance (deficit)	(27,769)	146,062	40,556	(67,853)
Ending fund balance	\$ 557,478	\$ 585,247	\$ 439,185	\$ 398,629
Available reserves	\$ 260,907	\$ 291,409	\$ 258,488	\$ 392,629
Available reserves as a percentage of total outgo	93.0%	9.7%	9.4%	13.7%
Total long-term debt	\$ 2,679,739	\$ 2,812,012	\$ 38,993	\$ 19,484
Average daily attendance at P-2	206	207	215	195

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 \$118,765 over the past three years. The fiscal year 2012-13 budget projects a decrease of \$26,769. 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 \$2,785,675 over the past three years.

Average daily attendance (ADA) has increased by 45 over the past three years.

Notes:

- 1 Budget 2014 is included for analytical purposes only and has not been subjected to audit.
- 2 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 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, 2013

TABLE D-4

	<u>General Fund</u>	<u>Special Reserve Fund</u>
June 30, 2013, annual financial and budget report fund balances	\$ <u>585,247</u>	\$ <u>508,527</u>
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB # 54 required inclusion with general fund	<u>508,527</u>	<u>(508,527)</u>
June 30, 2013, audited financial statement fund balances	\$ <u><u>1,093,774</u></u>	\$ <u><u>-</u></u>
	<u>Long-Term Liabilities</u>	
June 30, 2013, long-term liabilities on form Debt	\$ <u>45,061</u>	
Adjustments and reclassifications:		
General obligation bond understatement	2,499,852	
Bond premium understatement	216,366	
Accreted interest understatement	3,672	
OPEB obligation understatement	<u>47,061</u>	
Net adjustments and reclassifications	<u>2,766,951</u>	
June 30, 2013 long-term liabilities on Government Wide Statement of Net Position	\$ <u><u>2,812,012</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.

DEHESA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2013

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

DEHESA SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Indian Education	84.060		\$ 9,407
Passed Through State Department of Education:			
Title I *	84.010	14329	17,986
Special Education Local *	84.027	10115	359,078
Special Education IDEA Local *	84.027A	13682	4,574
Special Education Mental Health *	84.027A	14468	434
Impact Aid - P.L. 81.874 *	84.041	-	110,034
Special Education IDEA Preschool *	84.173	13430	2,572
Special Education Preschool Staff Development *	84.173A	13431	18
Safe and Drug Free Schools	84.186	14347	383
Innovative Education	84.298	14354	1,400
Title II Technology *	84.318	14334	122
Title VI Rural and Low Income Schools	84.358	14356	29,483
Title III Immigrant Education	84.365	15146	200
Title III LEP	84.365	14346	3,188
Title II Teacher Quality	84.367	14341	7,574
Total Passed Through State Department of Education			<u>537,046</u>
Total U. S. Department of Education			<u>546,453</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	13526	10,210
National School Lunch Section 11 *	10.555	13396	7,674
National School Lunch Section 4 *	10.555	13391	35,665
Total Passed Through State Department of Education			<u>53,549</u>
Total U. S. Department of Agriculture			<u>53,549</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 600,002</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

DEHESA SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Basis of Presentation

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

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

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, 2013, 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 30, 2014.

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 items 2013-1 through 2013-4 to be a material weakness.

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 items 2013-2 through 2013-5.

Dehesa School District's Response to Findings

Dehesa School District's responses 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 30, 2014

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Dehesa School District
El Cajon, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Dehesa School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dehesa School District's major federal programs for the year ended June 30, 2013. Dehesa School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dehesa School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dehesa School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Dehesa School District's compliance.

Basis for Qualified Opinion on Special Education

As described in item 2013-4 in the accompanying Schedule of Findings and Questioned Costs, Dehesa School District did not comply with requirements regarding Allowable Costs, Cost Principles and Other Compliance Requirements that are applicable to its Special Education Program. Compliance with such requirements is necessary, in our opinion, for Dehesa School District to comply with the requirements applicable to that program

Qualified Opinion on Special Education

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dehesa School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Dehesa School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Dehesa School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dehesa School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dehesa School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-4 to be a significant deficiency.

Dehesa School District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 30, 2014

Wilkinson Hadley King & Co. LLP
 CPAs and Advisors
 218 W. Douglas Ave
 El Cajon, CA 92020

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 2012-13*, 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, 2013.

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 2012-13* 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 2012-13* 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. 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:		
School Districts	6	Yes
County Offices of Education	3	N/A
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
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	N/A
Only One School Serving Grades K-3	4	Yes
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Charter Schools		
Contemporaneous Records of Attendance	1	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

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, 2013.

Other Matters

The results of our audit procedures resulted in an instance of noncompliance with the statutory requirements for programs noted above, which is required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-5.

Dehesa School District's Response to Findings

Dehesa School District's response to the finding 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 30, 2014

Findings and Recommendations Section

DEHESA SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2013

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 No

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

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? X Yes No

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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

B. Financial Statement Findings

Finding 2013-1 (30000)
Associated Student Body Funds

Criteria or Specific Requirement

Determine whether internal controls are in place over student body funds that will ensure that all student body receipts collected and disbursements paid are properly documented and that all proper transaction processes are being followed.

Condition

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.

Questioned Costs

None

Recommendation

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.

LEA's Response

The District has implemented a Money Transmittal Form requiring two signatures. When counting cash receipts both individuals will sign and date the form.

Finding 2013-2 (30000)
Bank Account Reconciliations

Criteria or Specific Requirement

Determine that controls are in place to safeguard and properly maintain cash accounts of the District.

Condition

In our review of the District cash accounts we noted bank account reconciliations are not being prepared for any account on a monthly basis.

Questioned Costs

None

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Recommendation

We recommend the District adopt procedures which require that all bank accounts be reconciled to the bank statements on a monthly basis.

LEA's Response

Bank accounts have been reviewed for 2012-13 and starting in July 2013 all bank accounts are being reconciled on a monthly basis.

Finding 2013-3 (30000)

Local Revenue

Criteria or Specific Requirement

Determine that controls are in place to properly account for all local revenue receipts and to ensure that all local revenue is properly deposited into bank accounts.

Condition

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.

Questioned Costs

None

Recommendation

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 party collecting the revenue and the party receiving the revenue.

LEA's Response

The District has implemented a Money Transmittal Form requiring two signatures. When counting cash receipts both individuals will sign and date the form.

C. Federal Award Findings and Questioned Costs

Finding 2013-4 (50000)

Federal Allowable Costs/Cost Principles

Federal Program Information

Special Education Cluster CFDA #84.173, 84.173A, 84.027, 84.027A

Federal Grantor

U.S. Department of Education

Pass-Through Grantor

State Department of Education

Criteria or Specific Requirement

Determine that the District has documented salaries charged to federal programs in accordance with OMB Circular A-87. Employees working under a single program or cost objective must have their salaries documented semi-annually and employees working under multiple federal programs or cost objectives must have their wages supported by personnel activity reports.

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Condition

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.

Questioned Costs

The total questioned costs are \$137,991 which is 100% of the salaries and benefits charged to the federal programs included in the Special Education Cluster.

Recommendation

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.

LEA's Response

The has developed and implemented monthly personal activity reports for employees working under multiple federal programs and a semi-annual form for employees working under a single program.

D. State Award Findings and Questioned Costs

Finding 2013-5 (10000)

Attendance

Criteria or Specific Requirement

Determine that the Second Period and Annual attendance reports submitted to the California Department of Education reconcile to the District's supporting records based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition

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.

Questioned Costs

Understatement of 1.3 ADA on the P2 second period average daily attendance report which calculates to approximately \$6,590 in additional state apportionment due to the District.

Recommendation

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.

LEA's Response

The P2 attendance report for 2012-13 has been amended. Before submission, attendance reports will be reviewed to ensure it reconciles with supporting documents.

DEHESA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Finding 2012-1 Attendance We noted that attendance rosters were being signed several weeks after the end of the actual attendance week. Implement procedures to ensure all attendance class rosters are signed on a timely basis.	Implemented	