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**DEHESA SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA
AUDIT REPORT
JUNE 30, 2010**

DEHESA SCHOOL DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2010

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JUNE 30, 2010**

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DEHESA SCHOOL DISTRICT

FINANCIAL SECTION

JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dehesa School District
El Cajon, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dehesa School District as of and for the year ended June 30, 2010, which collectively comprise the Dehesa School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dehesa School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dehesa School District as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2010, on our consideration of the Dehesa School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT

Page 2

The Management's Discussion and Analysis on pages 4 through 10 and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the Dehesa School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hosaka, Nagel & Company

San Diego, California
September 8, 2010

**DEHESA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. 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 governments, including cities, villages and special purpose governments.

FINANCIAL HIGHLIGHTS

- Total Net Assets was \$2,644,567, a decrease of \$76,916 from prior year.
- Total Revenues were \$2,491,017 and total cost of basic programs was \$2,578,743.
- Excess program costs over revenues totaled \$87,726.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financials statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

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

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

**DEHESA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Major Features of the District-Wide and Fund Financial Statements

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

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

**DEHESA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements

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

District-Wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

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

**DEHESA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets as of June 30, 2010, were \$2,644,567. (See Table A-1.)

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>\$ Change</u>
Current and Other Assets	\$ 1,625,054	\$ 1,883,084	\$ (258,030)
Capital assets, Net of Depreciation	1,182,555	1,153,808	28,747
Total assets	<u>\$ 2,807,609</u>	<u>\$ 3,036,892</u>	<u>\$ (229,283)</u>
Current Liabilities	\$ 136,705	\$ 123,945	\$ 12,760
General Long-Term Debt, Net of Current Portion	26,337	191,464	(165,127)
Total liabilities	<u>\$ 163,042</u>	<u>\$ 315,409</u>	<u>\$ (152,367)</u>
Net assets:			
Invested in capital assets	\$ 1,182,555	\$ 1,153,808	\$ 28,747
Restricted	615,696	700,982	(85,286)
Unrestricted	846,316	866,693	(20,377)
Total Net Assets	<u>\$ 2,644,567</u>	<u>\$ 2,721,483</u>	<u>\$ (76,916)</u>

**DEHESA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets. The District's total revenues were \$2,491,017. (See Table A-2). The total cost of all programs and services was \$2,578,743. Total expenses surpassed revenue by \$87,726.

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>\$ Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 30,485	\$ 33,429	\$ (2,944)
Operating Grants and Contributions	1,245,255	998,144	247,111
Capital Grants and Contributions	-	63	(63)
General Revenues			
Revenue Limit Sources	818,039	921,651	(103,612)
Federal and State Revenue	225,578	242,690	(17,112)
Local Revenue	171,660	233,939	(62,279)
Total Revenues	<u>2,491,017</u>	<u>2,429,916</u>	<u>61,101</u>
Expenses			
Instruction	1,407,838	1,134,740	273,098
Instruction-Related Services	337,137	278,128	59,009
Pupil Services	238,641	254,400	(15,759)
General Administration	298,922	258,640	40,282
Plant Services	296,205	231,025	65,180
Other Outgo	-	338,458	(338,458)
Total Expenses	<u>2,578,743</u>	<u>2,495,391</u>	<u>83,352</u>
Change in Net Assets	<u>\$ (87,726)</u>	<u>\$ (65,475)</u>	<u>\$ (22,251)</u>

Governmental Activities

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

- The cost of all governmental activities this year was \$2,578,743.
- Revenues from users of the District's programs amounted to \$30,485.
- Federal and State Governments subsidized programs contributions was \$1,245,255.
- Revenue from Revenue Limit Sources was \$818,039.
- Local and miscellaneous revenues account for \$171,660.
- Net assets decreased by \$87,726.

**DEHESA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

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 2009-2010 with a total combined, governmental fund balance of \$1,488,349.

General Fund Budgetary Highlights

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Total investments in capital assets remain at \$1,182,555. These investments include Land, Land Improvements, Building Construction and Equipment. Total depreciation expense for the year was \$124,298. Total new assets purchased during the year was \$153,045, which included installation of a new telephone system and the purchase of a new School Bus.

**Table A-4
Capital Assets**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>\$ Change</u>
Land	\$ 3,000	\$ 3,000	\$ -
Buildings	2,028,798	2,028,798	-
Land Improvements	9,900	9,900	-
Equipment	566,370	533,325	33,045
Less: Accumulated Depreciation	<u>(1,425,513)</u>	<u>(1,421,215)</u>	<u>(4,298)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 1,182,555</u>	<u>\$ 1,153,808</u>	<u>\$ 28,747</u>

**DEHESA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

Long-Term Debt for year ended 2009-2010 was \$26,337 (\$26,337 accrued vacation, plus an added 25% benefit).

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>\$ Change</u>
Charter School Revolving Loan	\$ -	\$ 250,000	\$ (250,000)
Compensated Absences	<u>26,337</u>	<u>24,797</u>	<u>1,540</u>
Total Long-Term Debt	<u>\$ 26,337</u>	<u>\$ 274,797</u>	<u>\$ (248,460)</u>

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 the District's declining ADA for the third year, the increased number of Special Needs students that the District is unable to educate, and the State's continuing economic decline and its impact on the State budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

DEHESA SCHOOL DISTRICT

**DEHESA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>
ASSETS:	
Cash in County Treasury	\$ 1,106,421
Cash on Hand and in Banks	15,109
Cash in Revolving Fund	1,000
Accounts Receivable	502,524
Capital Assets:	
Land	3,000
Land Improvements	9,900
Buildings	2,028,798
Equipment	566,370
Less: Accumulated Depreciation	<u>(1,425,513)</u>
Total Assets	<u>2,807,609</u>
LIABILITIES:	
Accounts Payable	132,705
Deferred Revenue	4,000
Noncurrent Liabilities:	
Due in More Than One Year	<u>26,337</u>
Total Liabilities	<u>163,042</u>
NET ASSETS:	
Invested in Capital Assets	1,182,555
Restricted For:	
Capital Projects	383,398
Specific Programs	232,298
Unrestricted	<u>846,316</u>
Total Net Assets	<u>\$ 2,644,567</u>

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense), Revenues and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Instructional Services:					
Instruction	\$ 1,407,838	-	\$ 737,628	-	\$ (670,210)
Instruction-Related Services	337,137	-	134,486	-	(202,651)
Pupil Services	238,641	30,485	277,053	-	68,897
General Administration	298,922	-	96,088	-	(202,834)
Plant Services	296,205	-	-	-	(296,205)
Total Governmental Activities	\$ 2,578,743	\$ 30,485	\$ 1,245,255	-	(1,303,003)
General Revenues:					
Revenue Limit Sources					818,039
Federal Revenues					34,492
State Revenues					191,086
Local Revenues					171,660
Total General Revenues					1,215,277
Changes in Net Assets					(87,726)
Net Assets - Beginning					2,721,483
Prior Period Adjustment					10,810
Net Assets - Ending					\$ 2,644,567

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	Other Governmental Funds	Total
ASSETS:						
Cash in County Treasury	\$ 75,789	\$ 210,214	\$ 465,844	\$ 324,269	\$ 30,305	\$ 1,106,421
Cash on Hand and in Banks	12,109	-	-	-	3,000	15,109
Cash in Revolving Fund	1,000	-	-	-	-	1,000
Accounts Receivable	498,309	435	954	775	2,051	502,524
Due from Other Funds	58,627	-	-	54,168	-	112,795
Total Assets	\$ 645,834	\$ 210,649	\$ 466,798	\$ 379,212	\$ 35,356	\$ 1,737,849
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	\$ 123,184	-	-	\$ 3,080	\$ 6,441	\$ 132,705
Due to Other Funds	52,168	-	60,627	-	-	112,795
Deferred Revenue	4,000	-	-	-	-	4,000
Total Liabilities	179,352	-	60,627	3,080	6,441	249,500
Fund Balance:						
Reserved Fund Balances:						
Reserve for Revolving Cash	1,000	-	-	-	-	1,000
Designated Fund Balance:						
Designated for Economic Uncertainties	130,001	-	-	-	-	130,001
Other Designations	35,498	-	-	-	-	35,498
Unreserved	299,983	210,649	406,171	376,132	-	1,292,935
Unreserved, Reported in Nonmajor:						
Special Revenue Funds	-	-	-	-	21,649	21,649
Capital Projects Funds	-	-	-	-	7,266	7,266
Total Fund Balance	466,482	210,649	406,171	376,132	28,915	1,488,349
Total Liabilities and Fund Balances	\$ 645,834	\$ 210,649	\$ 466,798	\$ 379,212	\$ 35,356	\$ 1,737,849

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balances - Governmental Fund Balance Sheet	\$ 1,488,349
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not reported in the funds.	1,182,555
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(26,337)</u>
Net Assets of Governmental Activities - Statement of Net Assets	<u>\$ 2,644,567</u>

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Capital Facilities Fund	Other Governmental Funds	Total
Revenues:						
Revenue Limit Sources:						
State Apportionments	\$ 697,657	-	\$ -	-	\$ -	\$ 697,657
Local Sources	120,382	-	-	-	-	120,382
Federal Revenue	505,513	-	-	-	33,727	539,240
Other State Revenue	288,028	6,807	-	-	3,127	297,962
Other Local Revenue	745,832	2,189	4,931	8,383	74,441	835,776
Total Revenues	<u>2,357,412</u>	<u>8,996</u>	<u>4,931</u>	<u>8,383</u>	<u>111,295</u>	<u>2,491,017</u>
Expenditures:						
Instruction	1,406,640	-	-	-	1,198	1,407,838
Instruction - Related Services	337,137	-	-	-	-	337,137
Pupil Services	236,284	-	-	-	155,402	391,686
General Administration	173,084	-	-	-	-	173,084
Plant Services	229,718	35,016	-	31,471	-	296,205
Total Expenditures	<u>2,382,863</u>	<u>35,016</u>	<u>-</u>	<u>31,471</u>	<u>156,600</u>	<u>2,605,950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,451)</u>	<u>(26,020)</u>	<u>4,931</u>	<u>(23,088)</u>	<u>(45,305)</u>	<u>(114,933)</u>
Other Financing Sources (Uses):						
Transfers In	87,325	237,150	-	-	-	324,475
Transfers Out	(237,150)	(16,522)	(70,803)	-	-	(324,475)
Contributions	211,501	(211,501)	-	-	-	-
Total Other Financing Sources (Uses)	<u>61,676</u>	<u>9,127</u>	<u>(70,803)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	36,225	(16,893)	(65,872)	(23,088)	(45,305)	(114,933)
Fund Balance, July 1	430,257	227,542	472,043	399,220	74,220	1,603,282
Fund Balance, June 30	<u>\$ 466,482</u>	<u>\$ 210,649</u>	<u>\$ 406,171</u>	<u>\$ 376,132</u>	<u>\$ 28,915</u>	<u>\$ 1,488,349</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, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$	(114,933)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital Outlays are not reported as expenses in the SOA.		153,045
The depreciation of capital assets used in governmental activities is not reported in the funds.		(124,298)
Compensated Absences are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>(1,540)</u>
Change in Net Assets of Governmental Activities - Statement of Activities	\$	<u><u>(87,726)</u></u>

The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

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

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

The District reports the following major governmental funds:

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

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

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

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

Non-Major Governmental Funds:

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

b. Measurement Focus, Basis of Accounting (Continued)

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

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

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

A. Summary of Significant Accounting Policies (Continued)

4. Budgets and Budgetary Accounting (Continued)

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

5. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

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

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury indicates the amount was less than 1% for the year ended June 30, 2010.

b. Stores Inventories and Prepaid Expenditures

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

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

A. Summary of Significant Accounting Policies (Continued)

5. Assets, Liabilities, and Equity (Continued)

c. Capital Assets

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

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

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

d. Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Deferred Revenue

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

A. Summary of Significant Accounting Policies (Continued)

5. Assets, Liabilities, and Equity (Continued)

f. Interfund Activity

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

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balance Reserves and Designations

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

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

i. Use of Estimates

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$1,106,421 as of June 30, 2010). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,114,498. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$15,109 as of June 30, 2010) and in the revolving fund (\$1,000) 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 Deposits and Investments

Cash and Investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

C. Cash and Investments (Continued)

3. Analysis of Specific Deposits and Investments (Continued)

Statement of Net Assets:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Cash in County Treasury	Not Rated	\$ 1,106,421
Cash on Hand and in Banks	Not Applicable	15,109
Cash in Revolving Fund	Not Applicable	<u>1,000</u>
Total		<u><u>\$ 1,122,530</u></u>

Cash and Investments as of June 30, 2010, consist of the following:

Cash in County Treasury	\$ 1,106,421
Deposits with Financial Institutions	<u>16,109</u>
Total	<u><u>\$ 1,122,530</u></u>

Investments Authorized by the District's Investment Policy

Education Code Section 41001 and the District's investment policy require operating funds to be deposited into the County Treasury and invested in accordance with the current investment policy of the San Diego County Treasurer. Education Code Section 41015 authorizes the investment of surplus moneys, not required for the immediate necessities of the District in any of the investments specified in Section 16430 or 53601 of the Government Code. Additionally, a variety of operational bank accounts are authorized, including but not limited to: Scholarship Accounts, Clearing Accounts and Revolving Cash Accounts. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. The District held no investments at June 30, 2010.

Disclosures Relating to Interest Rate Risk

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

C. Cash and Investments (Continued)

3. Analysis of Specific Deposits and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District held no investments at June 30, 2010.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. The District held no investments at June 30, 2010.

Custodial Credit Risk

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

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

C. Cash and Investments (Continued)

3. Analysis of Specific Deposits and Investments (Continued)

Investment Accounting Policy

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

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

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2010, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	\$ 58,627	Short-Term Loans
Capital Facilities Fund	Special Reserve Fund for Other Than Capital Outlay Projects	2,000	Short-Term Loans
Capital Facilities Fund	General Fund	<u>52,168</u>	Short-Term Loans
	Total	<u>\$ 112,795</u>	

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

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

D. Interfund Balances and Activities (Continued)

2. Transfers To and From Other Funds

Transfers To and From Other Funds at June 30, 2010, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Special Reserve Fund for Other Than Capital Outlay Projects	General Fund	\$ 70,803	Purchase Apple Mobil Lab and install historical display shelf
Deferred Maintenance Fund	General Fund	16,522	Cash-Flow Purposes
General Fund	Deferred Maintenance Fund	<u>237,150</u>	Annual Contribution
	Total	<u>\$ 324,475</u>	

E. Accounts Receivable

Accounts Receivable as of June 30, 2010, consist of the following:

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund for Other Than Capital Outlay Projects</u>	<u>Capital Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Federal Government:						
Federal Programs	\$ 96,962	\$ -	\$ -	\$ -	\$ 1,655	\$ 98,617
State Government						
Lottery	9,980	-	-	-	-	9,980
State Aid	149,041	-	-	-	-	149,041
Other State Revenue	235,962	-	-	-	-	235,962
Child Nutrition Program	-	-	-	-	310	310
Total State Government	<u>394,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310</u>	<u>395,293</u>
Local	6,364	435	954	775	86	8,614
Total Accounts Receivable	<u>\$ 498,309</u>	<u>\$ 435</u>	<u>\$ 954</u>	<u>\$ 775</u>	<u>\$ 2,051</u>	<u>\$ 502,524</u>

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

F. Capital Assets

Capital Asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Capital Assets, Not Being Depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total Capital Assets, Not Being Depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital Assets, Being Depreciated:				
Buildings	2,028,798	-	-	2,028,798
Improvement of Sites	9,900	-	-	9,900
Equipment	533,325	153,045	(120,000)	566,370
Total Capital Assets, Being Depreciated	<u>2,572,023</u>	<u>153,045</u>	<u>(120,000)</u>	<u>2,605,068</u>
Less Accumulated Depreciation for:				
Buildings	(1,054,402)	(73,765)	-	(1,128,167)
Improvement of Sites	(9,900)	-	-	(9,900)
Equipment	(356,913)	(50,533)	120,000	(287,446)
Total Accumulated Depreciation	<u>(1,421,215)</u>	<u>(124,298)</u>	<u>120,000</u>	<u>(1,425,513)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,150,808</u>	<u>28,747</u>	<u>-</u>	<u>1,179,555</u>
Capital Assets, Net of Depreciation	<u>\$ 1,153,808</u>	<u>\$ 28,747</u>	<u>\$ -</u>	<u>\$ 1,182,555</u>

Depreciation was charged to functions as follows:

General Administration	<u>\$ 124,298</u>
Total	<u>\$ 124,298</u>

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-Term Obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2010, are as follows.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

G. Long-Term Obligations (Continued)

1. Long-Term Obligation Activity (Continued)

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated					
Absences *	\$ 24,797	\$ 1,540	\$ -	\$ 26,337	\$ -
Total Governmental Activities	<u>\$ 24,797</u>	<u>\$ 1,540</u>	<u>\$ -</u>	<u>\$ 26,337</u>	<u>\$ -</u>

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

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

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

H. Operating Leases

The District has entered into an operating lease for copier equipment with a lease term in excess of one year. The cost of this lease for the fiscal year ended June 30, 2010, is listed below.

Commitments under operating lease agreements for copier equipment provide for minimum future rental payments as of June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 3,293
2011	3,293
2012	3,293
2013	3,293
2014	<u>2,195</u>
TOTAL	<u>\$ 15,367</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. Total lease payments for the fiscal year ended June 30, 2010, was \$1,098.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

I. Joint Ventures (Joint Powers Agreements)

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

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

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

J. Employee Retirement Systems

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

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 2009-2010 was 8.25% of annual payroll. The contributions to STRS for the fiscal year ending June 30, 2010, 2009 and 2008, were \$57,669, \$69,921 and \$68,856, respectively, and equal 100% of the required contributions for each year.

**DEHESA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

J. Employee Retirement Systems (Continued)

PERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709% 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, 2010, 2009 and 2008, were \$34,842, \$38,952 and \$29,095, respectively, and equal 100% of the required contributions for each year.

K. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

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

L. Prior Period Adjustment

A Prior Period Adjustment in the Governmental Statement of Activities reflects the activity of a Charter School that was included in the District's Financial Statements as of June 30, 2009. The Prior Period Adjustment is for \$250,000 for an overstatement of an Accounts Receivable and \$239,190 for the activity of the Charter School for a net total of \$10,810.

DEHESA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2010

**DEHESA SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue Limit Sources				
State Apportionments	\$ 655,379	\$ 690,319	\$ 697,657	\$ 7,338
Local Sources	169,994	125,194	120,382	(4,812)
Federal Revenue	376,021	508,833	505,513	(3,320)
Other State Revenue	263,782	294,498	288,028	(6,470)
Other Local Revenue	562,704	740,930	745,832	4,902
Total Revenues	<u>2,027,880</u>	<u>2,359,774</u>	<u>2,357,412</u>	<u>(2,362)</u>
Expenditures				
Instruction	1,078,181	1,498,574	1,406,640	91,934
Instruction - Related Services	244,503	341,283	337,137	4,146
Pupil Services	113,344	239,941	236,284	3,657
General Administration	130,562	181,631	173,084	8,547
Plant Services	246,928	94,104	229,718	(135,614)
Other Outgo	340,000	-	-	-
Total Expenditures	<u>2,153,518</u>	<u>2,355,533</u>	<u>2,382,863</u>	<u>(27,330)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(125,638)</u>	<u>4,241</u>	<u>(25,451)</u>	<u>(29,692)</u>
Other Financing Sources (Uses)				
Transfers In	-	87,325	87,325	-
Transfers Out	(18,254)	(237,151)	(237,150)	1
Contributions	-	211,501	211,501	-
Total Other Financing Sources (Uses)	<u>(18,254)</u>	<u>61,675</u>	<u>61,676</u>	<u>1</u>
Net Change in Fund Balance	(143,892)	65,916	36,225	(29,691)
Fund Balance, July 1	430,257	430,257	430,257	-
Fund Balance, June 30	<u>\$ 286,365</u>	<u>\$ 496,173</u>	<u>\$ 466,482</u>	<u>\$ (29,691)</u>

**DEHESA SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other State Revenue	\$ -	\$ 6,807	\$ 6,807	\$ -
Other Local Revenue	7,300	5,007	2,189	(2,818)
Total Revenues	<u>7,300</u>	<u>11,814</u>	<u>8,996</u>	<u>(2,818)</u>
Expenditures				
Plant Services	10,000	51,540	35,016	16,524
Total Expenditures	<u>10,000</u>	<u>51,540</u>	<u>35,016</u>	<u>16,524</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,700)</u>	<u>(39,726)</u>	<u>(26,020)</u>	<u>13,706</u>
Other Financing Sources (Uses)				
Transfers In	18,254	237,150	237,150	-
Transfers Out	-	(16,523)	(16,522)	1
Contributions	-	(211,501)	(211,501)	-
Total Other Financing Sources (Uses)	<u>18,254</u>	<u>9,126</u>	<u>9,127</u>	<u>1</u>
Net Change in Fund Balance	15,554	(30,600)	(16,893)	13,707
Fund Balance, July 1	227,542	227,542	227,542	-
Fund Balance, June 30	<u>\$ 243,096</u>	<u>\$ 196,942</u>	<u>\$ 210,649</u>	<u>\$ 13,707</u>

**DEHESA SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL
OUTLAY PROJECTS - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Local Revenue	\$ 18,000	\$ 18,000	\$ 4,931	\$ (13,069)
Total Revenues	<u>18,000</u>	<u>18,000</u>	<u>4,931</u>	<u>(13,069)</u>
Expenditures				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,000</u>	<u>18,000</u>	<u>4,931</u>	<u>(13,069)</u>
Other Financing Sources (Uses)				
Transfers Out	<u>-</u>	<u>(70,803)</u>	<u>(70,803)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(70,803)</u>	<u>(70,803)</u>	<u>-</u>
Net Change in Fund Balance	18,000	(52,803)	(65,872)	(13,069)
Fund Balance, July 1	<u>472,043</u>	<u>472,043</u>	<u>472,043</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 490,043</u>	<u>\$ 419,240</u>	<u>\$ 406,171</u>	<u>\$ (13,069)</u>

DEHESA SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2010

**DEHESA SCHOOL DISTRICT
CHILD DEVELOPMENT FUND - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Local Revenue	\$ 56,000	\$ 56,000	\$ 43,671	\$ (12,329)
Total Revenues	<u>56,000</u>	<u>56,000</u>	<u>43,671</u>	<u>(12,329)</u>
Expenditures				
Instruction	-	-	1,198	(1,198)
Pupil Services	98,656	98,436	66,185	32,251
Plant Services	-	220	-	220
Total Expenditures	<u>98,656</u>	<u>98,656</u>	<u>67,383</u>	<u>31,273</u>
Net Change in Fund Balance	(42,656)	(42,656)	(23,712)	18,944
Fund Balance, July 1	44,247	44,247	44,247	-
Fund Balance, June 30	<u>\$ 1,591</u>	<u>\$ 1,591</u>	<u>\$ 20,535</u>	<u>\$ 18,944</u>

**DEHESA SCHOOL DISTRICT
CAFETERIA FUND - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Revenue	\$ 21,500	\$ 33,727	\$ 33,727	\$ -
Other State Revenue	1,000	3,128	3,127	(1)
Other Local Revenue	38,800	30,694	30,694	-
Total Revenues	<u>61,300</u>	<u>67,549</u>	<u>67,548</u>	<u>(1)</u>
Expenditures				
Pupil Services	<u>57,905</u>	<u>90,153</u>	<u>89,217</u>	<u>936</u>
Total Expenditures	<u>57,905</u>	<u>90,153</u>	<u>89,217</u>	<u>936</u>
Net Change in Fund Balance	3,395	(22,604)	(21,669)	935
Fund Balance, July 1	22,783	22,783	22,783	-
Fund Balance, June 30	<u>\$ 26,178</u>	<u>\$ 179</u>	<u>\$ 1,114</u>	<u>\$ 935</u>

**DEHESA SCHOOL DISTRICT
CAPITAL FACILITIES FUND - CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 29,000	\$ 29,000	\$ 8,383	\$ (20,617)
Total Revenues	<u>29,000</u>	<u>29,000</u>	<u>8,383</u>	<u>(20,617)</u>
Expenditures				
Plant Services	5,000	31,500	31,471	29
Total Expenditures	<u>5,000</u>	<u>31,500</u>	<u>31,471</u>	<u>29</u>
Net Change in Fund Balance	24,000	(2,500)	(23,088)	(20,588)
Fund Balance, July 1	399,220	399,220	399,220	-
Fund Balance, June 30	<u>\$ 423,220</u>	<u>\$ 396,720</u>	<u>\$ 376,132</u>	<u>\$ (20,588)</u>

**DEHESA SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY
PROJECTS - CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 250	\$ 250	\$ 76	\$ (174)
Total Revenues	<u>250</u>	<u>250</u>	<u>76</u>	<u>(174)</u>
Expenditures				
Plant Services	-	250	-	250
Total Expenditures	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>250</u>	<u>-</u>	<u>76</u>	<u>76</u>
Net Change in Fund Balance	250	-	76	76
Fund Balance, July 1	7,190	7,190	7,190	-
Fund Balance, June 30	<u>\$ 7,440</u>	<u>\$ 7,190</u>	<u>\$ 7,266</u>	<u>\$ 76</u>

**DEHESA SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2010**

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

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term</u>	<u>Term Expiration</u>
Cindy White	President	4 Years	November 2, 2010
Pamela Dillard	Vice President	4 Years	November 2, 2010
Nubia Comas	Clerk	4 Years	November 2, 2010
Chuck Huskey	Member	4 Years	November 2, 2010
Jeff Royal	Member	4 Years	November 2, 2010

Administration

<u>Name</u>	<u>Position</u>
Janet M. Wilson	Superintendent/Principal
Daniel B. Menyon	Business Manager

**DEHESA SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY:		
Kindergarten	17.00	19.98
Grades 1 through 3	73.53	70.25
Grades 4 through 6	<u>71.72</u>	<u>74.77</u>
TOTAL ELEMENTARY	<u><u>162.25</u></u>	<u><u>165.00</u></u>

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

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

**DEHESA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	34,905	36,000	59,556	181	In Compliance
Grade 1	47,505	50,400	55,936	181	In Compliance
Grade 2	47,505	50,400	55,936	181	In Compliance
Grade 3	47,505	50,400	55,936	181	In Compliance
Grade 4	55,245	54,000	56,841	181	In Compliance
Grade 5	55,245	54,000	56,841	181	In Compliance
Grade 6	55,245	54,000	56,841	181	In Compliance

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

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

**DEHESA SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>General Fund</u>	(Budget) 2011	2010	2009	2008
Revenues and other financial sources	<u>\$ 2,252,741</u>	<u>\$ 2,656,238</u>	<u>\$ 2,211,462</u>	<u>\$ 2,382,358</u>
Expenditures	<u>2,382,273</u>	<u>2,382,863</u>	<u>2,269,663</u>	<u>2,312,876</u>
Other uses and transfers out	<u>20,616</u>	<u>237,150</u>	<u>18,254</u>	<u>-</u>
Total outgo	<u>2,402,889</u>	<u>2,620,013</u>	<u>2,287,917</u>	<u>2,312,876</u>
Change in fund balance (deficit)	<u>(150,148)</u>	<u>36,225</u>	<u>(76,455)</u>	<u>69,482</u>
Ending fund balance	<u>\$ 316,334</u>	<u>\$ 466,482</u>	<u>\$ 430,257</u>	<u>\$ 506,712</u>
Available Reserves	<u>234,309</u>	<u>465,482</u>	<u>429,257</u>	<u>824,019</u>
Designated for economic uncertainties	<u>-</u>	<u>130,001</u>	<u>114,396</u>	<u>115,758</u>
Unrestricted fund balance	<u>\$ 234,309</u>	<u>\$ 299,983</u>	<u>\$ 12,392</u>	<u>\$ 50,341</u>
Available reserves as a percentage of total outgo	<u>9.8%</u>	<u>17.8%</u>	<u>18.8%</u>	<u>35.6%</u>
Total long-term debt	<u>\$ -</u>	<u>\$ 26,337</u>	<u>\$ 274,797</u>	<u>\$ 12,612</u>
Average daily attendance at P-2	<u>183</u>	<u>162</u>	<u>155</u>	<u>161</u>

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

The General Fund Balance has decreased by \$40,230 (7.9%) over the past two years. The fiscal year 2010-2011 budget projects a decrease of \$150,148 (32.2%). For a District this size, the state recommends available reserves of at least five percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has had an operating surplus over two of the past three years, and anticipates an operating deficit during the 2010-2011 fiscal year. Total long-term debt has increased by \$13,725 over the past two years.

Average daily attendance (ADA) has decreased by one (1) over the past two years. An increase of twenty-one ADA is anticipated during the 2010-2011 fiscal year.

**DEHESA SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented. For the year ended June 30, 2010, the District did not have any funds that required any adjustments.

**DEHESA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2010**

The following Charter Schools are chartered by Dehesa School District:

<u>Charter Schools</u>	<u>Included In Audit?</u>
Dehesa Charter School [#419]	No
E-Cademy California Charter [#1005]	No
Diego Hills Charter [#1088]	No

**DEHESA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through California			
Department of Education (CDE):			
Federal Impact Aid (ESEA, Title VIII)	84.041	10015	\$ 30,615
Title I	84.010	14329	12,157
ARRA Title I	84.389	15005	6,518
ARRA: State Fiscal Stabilization Fund	84.394	24997	4,984
Special Ed ARRA Local Assistance	84.391	15003	119,937
Special Ed Local Assistance	84.027	13379	149,787
Special Ed Preschool	84.173	13430	863
Special Ed Preschool Local Assistance	84.027A	13682	1,502
Title IV - Drug Free	84.186	14347	581
Title II Teacher Quality	84.367	14341	6,386
Title II Enhancing Education	84.318	14334	122
Title V Innovative Education Strategies	84.298A	14354	1,400
Title VI Rural Low Inc.	84.358	14356	25,454
Title III LEP	84.365	10084	1,330
Other ARRA Programs	N/A	10130	<u>140,000</u>
Total U.S. Department of Education			<u>501,636</u>
U.S. Department of Agriculture:			
Passed through California			
Department of Education (CDE):			
Child Nutrition Program	10.555	13396	33,727
Forest Reserve	10.665	10044	<u>3,877</u>
Total U.S. Department of Agriculture			<u>37,604</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 539,240</u>

**DEHESA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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*.

DEHESA SCHOOL DISTRICT
OTHER INDEPENDENT AUDITORS' REPORTS SECTION

JUNE 30, 2010

**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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District, as of and for the year ended June 30, 2010, which collectively comprise Dehesa School District's basic financial statements and have issued our report thereon dated September 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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, to 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.

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

**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**

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dehesa School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit/Finance Committee, Management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hosaka, Nagel & Company

San Diego, California
September 8, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Dehesa School District
El Cajon, California

Compliance

We have audited Dehesa School District's compliance of the 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 Dehesa School District's major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Dehesa School District's management. Our responsibility is to express an opinion on Dehesa School District's compliance based on our audit.

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. 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. Our audit does not provide a legal determination on Dehesa School District's compliance with those requirements.

In our opinion, Dehesa School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2

Internal Control Over Compliance

Management of Dehesa School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Dehesa School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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.

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

This report is intended solely for the information and use of the Audit/Finance Committee, Management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hosaka, Nagel & Company

San Diego, California
September 8, 2010

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

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Dehesa School District
 El Cajon, California

We have audited the basic financial statements of the Dehesa School District (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 8, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-2010*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
Page 2

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General Requirements	12	Yes
Ratios of Administrative Employees to Teachers	1	Not Applicable
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
District or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance, For Charter Schools		
Mode of Instruction, For Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools		
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	Not Applicable

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Page 3

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

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

Hosaka, Nagel & Company

San Diego, California
September 8, 2010

DEHESA SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS SECTION
JUNE 30, 2010

**DEHESA SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.391	Special Ed ARRA Local Assistance
84.027	Special Ed Local Assistance

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

Auditee qualified as low-risk auditee? Yes No

**DEHESA SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

A. Summary of Auditors' Results (Continued)

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

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

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

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

**DEHESA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	N/A	N/A