DEL MAR UNION SCHOOL DISTRICT
COUNTY OF SAN DIEGO
SAN DIEGO, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

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

Introductory Section

Del Mar Union School District
Audit Report
For The Year Ended June 30, 2016

TABLE OF CONTENTS

	Page	Exhibit/Table
FINANCIAL SECTION		
Independent Auditor's Report	1	
Management's Discussion and Analysis (Required Supplementary Information)	4	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	14	Exhibit A-1
Statement of Activities	15	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	16	Exhibit A-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19	Exhibit A-6
Statement of Net Position - Enterprise Fund	20	Exhibit A-7
Statement of Revenues, Expenses, and Changes in Fund Net Position - Enterprise Fund	21	Exhibit A-8
Statement of Cash Flows - Proprietary Funds	22	Exhibit A-9
Statement of Fiduciary Net Position - Fiduciary Funds	23	Exhibit A-10
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	24	Exhibit A-11
Notes to the Financial Statements	25	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	62	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan	63	
Schedule of the District's Proportionate Share of the Net Pension Liability - California State Teachers Retirement System	64	Exhibit B-2
Schedule of District's Contributions - California State Teachers Retirement System	65	Exhibit B-3
Schedule of the District's Proportionate Share of the Net Pension Liability - California Public Employees Retirement System	66	Exhibit B-4
Schedule of District's Contributions - California Public Employees Retirement System	67	Exhibit B-5
Notes to Required Supplementary Information	68	

Del Mar Union School District
Audit Report
For The Year Ended June 30, 2016

TABLE OF CONTENTS

	Page	Exhibit/Table
Combining Statements as Supplementary Information:		
Combining Balance Sheet - All Nonmajor Governmental Funds	69	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds	70	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	71	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	72	Exhibit C-4
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds	73	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	74	Exhibit C-6
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure	75	
Schedule of Average Daily Attendance	76	Table D-1
Schedule of Instructional Time	77	Table D-2
Schedule of Financial Trends and Analysis	78	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	79	Table D-4
Schedule of Charter Schools	80	Table D-5
Schedule of Expenditures of Federal Awards	81	Table D-6
Notes to the Schedule of Expenditures of Federal Awards	82	
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*	83	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)	85	
Independent Auditor's Report on State Compliance	87	
Schedule of Findings and Questioned Costs	90	
Summary Schedule of Prior Audit Findings	94	
Corrective Action Plan	95	

Financial Section

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Independent Auditor's Report

To the Board of Trustees
Del Mar Union School District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Del Mar Union School District ("the District") as of and for the year ended June 30, 2016, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Del Mar Union School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2016, Del Mar Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value.* Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Del Mar Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Del Mar Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions 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 Del Mar Union School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part 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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards 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 December 8, 2016 on our consideration of Del Mar Union 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 Del Mar Union School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 8, 2016

This section of the Del Mar Union School District's annual financial reports presents the management discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2016. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal year, and is a required element of the reporting model established by the Governmental Accounting Standards Boards (GASB) in Statement Number 34. This management discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Del Mar Union School District as a complex financial entity. The Del Mar Union School District operates governmental, business-type, and internal service activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

FINANCIAL HIGHLIGHTS

Key financial highlights for Fiscal Year 2015-2016 are as follows:

-Total net position (including Business Type Activities) for the District are $69,024,378.

-Outstanding Capital Lease-Purchase Debt increased from $340,293 to $491,875 during 2015-2016.

-The District's annual average daily attendance is 4,224.32 in 2015-2016.

-Property tax revenue increased by 7.2% in 2015-2016 over 2014-2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements that present both a view of the District as a whole, and individual fund statements that focus on various parts of the District's operations in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

Statement of Net Position and Statement of Activities

While this document contains several funds used by the district to provide programs and activities, the view of the district as a whole looks at all financial transactions and asks the question, "How did we do financially this year?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, all liabilities and all deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or disbursed.

These two statements report the District's net position and changes in net position. This change is important because it tells the reader whether, for the District as a whole, the financial position of the district has improved or diminished. In addition, non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities must be considered.

In the Statement of Net Position and the Statement of Activities, the District's activities are divided into two categories; governmental activities and business type activities. All of the District's programs and services are reported here including instruction, support services, as well as operation and maintenance of facilities. Under the governmental activities column is where most of the District's basic services are included, such as regular and special education instruction, transportation, and administration. Property taxes, federal and state categorical funding finance most of these activities. Under the business-type activities column is where the District's Early Childhood/After School Programs are included. Tuition payments finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT INDIVIDUAL FUNDS

Fund Financial Statements

The fund financial 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 debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds which are explained below. Later in this report a chart is provided that shows all of the district funds, balances, and fund types.

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 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 the reader 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, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

The District maintains seven individual governmental funds. Two of these funds are considered major funds: the General Fund and Community Facilities District Funds (95-1 & 99-1). The other five governmental funds are the Cafeteria Fund, Deferred Maintenance Fund, Special Reserve Fund, Capital Facilities Fund and Debt Service Fund (95-1 & 99-1).

Major funds - Revenues, expenses, assets, or liabilities are at least 10 percent of the total for their fund category or type (governmental or enterprise) and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the districtwide statements. Enterprise funds or internal service funds are the two types of proprietary funds. The District does operate an enterprise fund which is where we account for the activities related to the Early Childhood/After School Program.

Enterprise funds - Are operated in a manner similar to private business where the determination of revenues earned, costs incurred and net income is necessary for management accountability. The District uses one enterprise fund to account for business activities of the Early Childcare/After School programs. All of the Early Childcare/After School programs were reported in this enterprise fund.

Fiduciary funds – In a fiduciary fund, the District is the trustee, or fiduciary, for assets that belong to others, such as the Foundation Trust Fund. 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 Position and a statement of changes in fiduciary Net Position. 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 Position

The district's net position was $69,024,378 as of June 30, 2016. The Statement of Net Position (see Table A-1 below) provides a perspective of the District's net position as a whole. All of the data is from the District's governmental and business type activities.

Statement of Net Position for Years Ended:

	June 30, 2015	June 30, 2016	Change	% Change
Assets				
Cash	28,305,149	25,160,948	(3,144,201)	-11.11%
Receivables	1,533,680	1,705,396	171,716	11.20%
Prepaid Expenses	318,825	119,701	(199,124)	-62.46%
Capital Assets:				
Land	36,813,151	36,813,151	-	0.00%
Site Improvements	2,803,638	3,324,510	520,872	18.58%
Buildings	100,726,640	104,496,164	3,769,524	3.74%
Equipment	3,072,559	3,639,928	567,369	18.47%
Work in Progress	1,648,418	114,424	(1,533,994)	-93.06%
Less Accumulated Depreciation	(30,213,480)	(32,849,705)	(2,636,225)	8.73%
Total Assets	145,008,580	142,524,517	(2,484,063)	-1.71%
Deferred Outflows of Resources	7,204,964	7,279,770	74,806	1.04%
Liabilities				
Accounts Payable & Other Current Liabilities	2,303,121	1,517,646	(785,475)	-34.10%
Unearned Revenue	1,440,514	1,519,959	79,445	5.52%
Long Term Liabilities:				
Due Within One Year	1,111,003	1,184,223	73,220	6.59%
Due in More Than One Year	68,430,525	73,677,933	5,247,408	7.67%
Total Liabilities	73,285,163	77,899,761	4,614,598	6.30%
Deferred Inflows of Resources	10,252,385	2,880,148	(7,372,237)	-71.91%
Net Position				
Net Investment in Capital Assets:	88,024,592	92,929,152	4,904,560	5.57%
Restricted For:				
Capital Projects	13,964,638	10,341,409	(3,623,229)	-25.95%
Educational Purposes	-	19,595	19,595	100.00%
Other Purposes (expendable)	423,954	39,250	(384,704)	-90.74%
Other Purposes (nonexpendable)	343,253	142,535	(200,718)	-58.48%
Unrestricted	(35,651,607)	(34,447,563)	1,204,044	-3.38%
Total Net Position	67,104,830	69,024,378	1,919,548	2.86%

Governmental Activities

Revenue in the Governmental Funds is divided into general revenue, which funds the basic on-going instructional programs and related support services; and program revenue, which funds specific program activities that support the children enrolled in Del Mar schools. Revenues form the District's governmental and business type activities were $61,710,310 (see Table A-2) while expenditures were $64,726,850.
(see Table A-3).

Table A-2
Revenue for Governmental & Business Type Activities

	2014-15	2015-16	Change	% Change
Governmental Activities				
Program Revenue	8,605,458	7,737,290	(868,168)	-10.09%
General Revenue	44,993,811	49,880,755	4,886,944	10.86%
Total Governmental Revenue	53,599,269	57,618,045	4,018,776	7.50%
Business Type Activities				
Program Revenue	4,003,073	4,074,776	71,703	1.79%
General Revenue	4,472	17,489	13,017	291.08%
Total Business Type Revenue	4,007,545	4,092,265	84,720	2.11%
Total Revenue	57,606,814	61,710,310	4,103,496	7.12%

The primary sources of general revenue are state revenue and local property taxes and represent approximately 99.8% of general revenues. The remaining .2% consists of interest earnings and other agency transfers. The primary sources of program revenues are the State of California and the Federal Government which fund many of the programs operated by the District.

The table below presents the cost of each of the District's largest functions by expenditure total.

Table A-3
Expenditures for Governmental & Business Type Activities

	2014-15	2015-16	Change	% Change
Governmental Activities				
Instruction	34,128,598	42,179,383	8,050,785	23.59%
Instruction Related Services	3,667,286	4,840,664	1,173,378	32.00%
Pupil Services	2,050,699	2,537,827	487,128	23.75%
General Administration	2,918,315	3,744,450	826,135	28.31%
Plant Services	4,680,121	5,471,634	791,513	16.91%
Enterprise Activities	78,664	-	(78,664)	-100.00%
Interest on Long Term Debt	1,230,720	1,121,699	(109,021)	-8.86%
Other Outgo	75,014	70,014	(5,000)	-6.67%
Depreciation (Unallocated)	309,088	410,923	101,835	32.95%
Total Governmental Expenditures	49,138,505	60,376,594	11,238,089	22.87%
Business Type Activities				
Enterprise Activities	3,441,566	4,350,256	908,690	26.40%
Total Expenditures	52,580,071	64,726,850	12,146,779	23.10%

FINANCIAL ANALAYSIS OF THE DISTRICT'S FUNDS

The financial performance as a whole is reflected in the District's governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of over $23 million. Below in Table A-4 is a list of all the various District funds balances at the end of the 2014-2015 and 2015-2016 fiscal years. The variance between years is also listed. The fund types are described in the Fund Financial Statements section of this report.

Table A-4
Ending Fund Balances by Type

	2014-15	2015-16	Change	% Change
Governmental Funds				
General Fund	10,862,092	11,340,803	478,711	4.41%
Cafeteria Fund	38,953	39,250	297	0.76%
Deferred Maintenance Fund	385,001	211,542	(173,459)	-45.05%
Capital Facilities Fund	606,261	388,469	(217,792)	-35.92%
Special Reserve Fund - Capital Projects	1,916,558	880,947	(1,035,611)	-54.03%
Capital Project Fund For CFDs	11,441,819	9,952,940	(1,488,879)	-13.01%
Total Governmental Funds	25,250,684	22,813,951	(2,436,733)	-9.65%
Proprietary Funds				
Enterprise Fund	1,571,166	(1,565,995)	(3,137,161)	-199.67%
Fiduciary Funds				
Foundation Trust Fund	32,593	32,161	(432)	-1.33%
Total All Funds	26,854,443	21,280,117	(5,574,326)	-20.76%

Long-Term Debt

At year end, the District had over $74 million in special tax bonds, capital leases payable, and other long-term debt outstanding. More detail about the District's long-term debt is detailed in Table A-5 below. Additional information regarding the long-term liabilities is presented in the notes to the financial statements.

Table A-5
Outstanding Long-Term Debt

	2014-15	2015-16	Change	% Change
Governmental Activities				
Special Tax Bonds	26,486,041	22,385,855	(4,100,186)	-15.48%
Capital Leases	340,293	491,875	151,582	44.54%
Net OPEB Obligation	4,022,597	4,552,837	530,240	13.18%
Net Pension Liability	38,447,460	44,019,368	5,571,908	14.49%
Compensated Absences	245,137	262,505	17,368	7.09%
Total Governmental Activities	69,541,528	71,712,440	2,170,912	3.12%
Business Type Activities				
Net OPEB Obligation	-	385,828	385,828	100.00%
Net Pension Liability	-	2,713,202	2,713,202	100.00%
Compensated Absences	-	50,686	50,686	100.00%
Total Business Type Activities	-	3,149,716	3,149,716	100.00%
Total Long Term Debt	69,541,528	74,862,156	5,320,628	7.65%

CFD 95-1
On June 28, 2007 the Del Mar Community Facilities District (CFD) 95-1 issued $19,955,000 Series 2007 Special Tax Bonds. Proceeds from the Bonds were used primarily to finance the acquisition and construction of Ocean Air School. The first interest payment on the bonds was payable on September 1, 2007 and semi-annually thereafter on each September 1 and March 1.

CFD 99-1
The Community Facilities District was established by the Board of Trustees on May 12, 1999. An election was held on September 28, 1999 which allowed the Community Facilities District 99-1 to finance the cost of public facilities by incurring bonded indebtedness. More than two-thirds of the votes cast were in favor of the "Series 2003 Special Tax Bonds". In October 2003 the Del Mar Community Facilities District 99-1 issued $10,620,000 in Lease Revenue Bonds. Proceeds from the sale of the bonds were used to purchase the land and construct the Pacific Highlands Ranch School #7 named Sycamore Ridge.

The District refinanced the 2003 Bonds under the Series 2012 Special Tax Refunding Bonds in the amount of $9,920,000. The first interest payment on the bonds was payable on March 1, 2013 and semi-annually thereafter on March 1 and September 1.

The debt service and interest payments for the Special Tax Bonds will be paid with revenues generated from the two CFD's. No District general operating funds will be used.

General Fund Budgetary Highlights

Information about the district's major funds, including the General Fund, is shown later in this report. The General Fund is accounted for using the modified accrual basis of accounting. The District's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of the year, interim reports are used for each major budget revision and are presented to the Governing Board for review and approval and regularly scheduled Board meetings and in accordance with deadlines established by the California Department of Education.

Pension Accounting

The District's financial statements include the new pension accounting changes under Governmental Accounting Standards Board Statements No. 67 and 68. Under GASB 67 and 68, beginning with the 2014-2015 financial statements, school districts are required to include their proportionate share of the Net Pension Liability (NPL) for the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS).

Although this accounting entry increases the District's Liabilities, it is a liability of the State of California. The State is addressing its net pension liabilities by increasing the annual contribution requirements from State, employers, and employees. The District's increase in employer contribution is reflected in its operating expenditures.

Capital Assets

At the end of the fiscal year 2015-2016, the District had $148,388,176 invested in land, land improvements, buildings and equipment. After accumulated depreciation of $32,849,704 is applied, the value of net capital assets is $115,538,472.

Current Financial Related Activities

Over the years, Del Mar Union School District has maintained a strong, financially responsible budget. Each year the district takes a careful look at revenue and expenditure projections on a multi-year basis and adjusts the budget accordingly. Adjustments are necessary in order to maintain an acceptable and safe reserve balance. As the preceding information shows, assets are substantial and the amount of debt paid from general revenues is a very small percentage of the overall budget. However, the financial future is still full of challenges. Prudent planning and conservative spending must be a priority. The district is a community-funded school district which is also known as Basic Aid. The majority of revenue the district receives is from property taxes. Prudent reserves will help to minimize the impact of any loss of revenue, address unexpected costs and economic uncertainty. A reserve will allow the district sufficient planning time to secure alternative funding sources and implement budget reductions if necessary.

Contacting the District

The financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Catherine J. Birks, Assistant Superintendent, Business Services at the Del Mar Union School District, 11232 El Camino Real, San Diego, CA 92130.

Basic Financial Statements

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash	$ 23,452,897	$ 1,708,051	$ 25,160,948	$ 41,465
Receivables	1,697,426	7,970	1,705,396	26,959
Internal Balances	95,571	(95,571)	-	-
Prepaid Expenses	117,535	2,166	119,701	-
Capital Assets:				
Land	36,813,151	-	36,813,151	-
Improvements	3,324,510	-	3,324,510	-
Buildings	104,496,164	-	104,496,164	-
Equipment	3,639,928	-	3,639,928	-
Work in Progress	114,424	-	114,424	-
Less Accumulated Depreciation	(32,849,705)	-	(32,849,705)	-
Total Assets	140,901,901	1,622,616	142,524,517	68,424
DEFERRED OUTFLOWS OF RESOURCES	6,464,032	815,738	7,279,770	-
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,464,273	53,373	1,517,646	345
Unearned Revenue	1,349,034	170,925	1,519,959	-
Long-Term Liabilities:				
Due Within One Year	1,133,537	50,686	1,184,223	-
Due in More Than One Year	70,578,903	3,099,030	73,677,933	-
Total Liabilities	74,525,747	3,374,014	77,899,761	345
DEFERRED INFLOWS OF RESOURCES	2,249,813	630,335	2,880,148	-
NET POSITION				
Net Investment in Capital Assets	92,929,152	-	92,929,152	-
Restricted for:				
Capital Projects	10,341,409	-	10,341,409	-
Educational Programs	19,595	-	19,595	-
Other Purposes (Expendable)	39,250	-	39,250	-
Other Purposes (Nonexpendable)	142,535	-	142,535	-
Unrestricted	(32,881,568)	(1,565,995)	(34,447,563)	68,079
Total Net Position	$ 70,590,373	$ (1,565,995)	$ 69,024,378	$ 68,079

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Governmental Activities:								
Instruction	$ 42,179,383	$ 49,836	$ 4,574,310	$ -	$ (37,555,237)	$	$ (37,555,237)	$ -
Instruction-Related Services:								
Instructional Supervision and Administration	1,723,781	2,959	377,504	-	(1,343,318)		(1,343,318)	-
Instructional Library, Media and Technology	233,935	-	-	-	(233,935)		(233,935)	-
School Site Administration	2,882,948	-	68,054	-	(2,814,894)		(2,814,894)	-
Pupil Services:								
Home-to-School Transportation	683,899	-	-	-	(683,899)		(683,899)	-
Food Services	226,336	83,613	130,443	-	(12,280)		(12,280)	-
All Other Pupil Services	1,627,592	981	238,010	-	(1,388,601)		(1,388,601)	-
General Administration:								
Centralized Data Processing	1,084,417	-	8,683	-	(1,075,734)		(1,075,734)	-
All Other General Administration	2,660,033	-	33,394	-	(2,626,639)		(2,626,639)	-
Plant Services	5,471,634	-	261,019	-	(5,210,615)		(5,210,615)	-
Interest on Long-Term Debt	1,121,699	-	-	-	(1,121,699)		(1,121,699)	-
Other Outgo - Transfer of Tuition	70,014	336	1,908,148	-	1,838,470		1,838,470	-
Depreciation (Unallocated)*	410,923	-	-	-	(410,923)		(410,923)	-
Business-Type Activities								
Enterprise Activities	4,350,256	4,074,776	-	-		(275,480)	(275,480)	-
Component Unit								
Donations to District	1,270,000	-	-	-		-	-	(1,270,000)
Support Services	62,611	-	-	-		-	-	(62,611)
		-	-	-				
Total Expenses	$ 66,059,461	$ 4,212,501	$ 7,599,565	$ -	$ (52,639,304)	$ (275,480)	$ (52,914,784)	$ (1,332,611)

	Governmental Activities	Business-type Activities	Total	Component Unit
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes	39,828,990	-	39,828,990	-
Taxes Levied for Other Specific Purposes	2,605,825	-	2,605,825	-
Federal and State Aid Not Restricted to Specific Programs	5,071,331	19,736	5,091,067	-
Interest and Investment Earnings	79,379	7,996	87,375	(574)
Miscellaneous	2,284,987	-	2,284,987	-
Internal Transfers	10,243	(10,243)		
Net Fundraising Revenue	-	-	-	1,314,298
Total General Revenues	$ 49,880,755	$ 17,489	$ 49,898,244	$ 1,313,724
Change in Net Position	(2,758,549)	(257,991)	(3,016,540)	(18,887)
Net Position Beginning (As Restated - See Note R)	73,348,922	(1,308,004)	72,040,918	86,966
Net Position Ending	$ 70,590,373	$ (1,565,995)	$ 69,024,378	$ 68,079

*This amount excludes depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 11,699,329	$ 7,997,997	$ 1,436,183	$ 21,133,509
Cash on Hand and in Banks	255,329	-	-	255,329
Cash in Revolving Fund	25,000	-	-	25,000
Cash with a Fiscal Agent/Trustee	-	2,039,058	-	2,039,058
Accounts Receivable	1,650,828	11,040	35,559	1,697,427
Due from Other Funds	231,152	5,375	142,474	379,001
Prepaid Expenditures	117,535	-	-	117,535
Total Assets	13,979,173	10,053,470	1,614,216	25,646,859
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 1,146,862	$ -	$ 53,582	$ 1,200,444
Due to Other Funds	142,474	100,530	40,426	283,430
Unearned Revenue	1,349,034	-	-	1,349,034
Total Liabilities	2,638,370	100,530	94,008	2,832,908
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	25,000	-	-	25,000
Prepaid Items	117,535	-	-	117,535
Restricted Fund Balances	19,595	9,952,940	39,250	10,011,785
Committed Fund Balances	-	-	211,542	211,542
Assigned Fund Balances	2,013,068	-	1,269,416	3,282,484
Unassigned:				
Reserve for Economic Uncertainty	1,572,799	-	-	1,572,799
Other Unassigned	7,592,806	-	-	7,592,806
Total Fund Balance	11,340,803	9,952,940	1,520,208	22,813,951
Total Liabilities and Fund Balances	$ 13,979,173	$ 10,053,470	$ 1,614,216	$ 25,646,859

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances, governmental funds		$ 22,813,951
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds 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	148,388,177	
Accumulated depreciation	(32,849,705)	
Net:		115,538,472
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 unmatured interest owing at the end of the period was:		(263,829)
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:		
Special Tax Bonds	22,385,855	
Net Pension Liability	44,019,368	
Net OPEB Obligation	4,552,837	
Compensated Absences Payable	262,505	
Capital Leases Payable	491,875	
Total		(71,712,440)
Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:		268,410
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions		6,195,622
Deferred inflows of resources relating to pensions		(2,249,813)
Net position of governmental activities - statement of net position		$ 70,590,373

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,170,350	$ -	$ -	$ 1,170,350
Education Protection Account Funds	853,440	-	-	853,440
Local Sources	39,693,865	-	135,126	39,828,991
Federal Revenue	1,061,592	-	124,240	1,185,832
Other State Revenue	5,704,845	-	5,957	5,710,802
Other Local Revenue	3,967,964	4,626,050	264,372	8,858,386
Total Revenues	52,452,056	4,626,050	529,695	57,607,801
Expenditures:				
Current Expenditures				
Instruction	36,253,180	-	-	36,253,180
Instruction - Related Services	4,335,496	-	-	4,335,496
Pupil Services	2,146,056	-	213,759	2,359,815
General Administration	3,353,715	-	1,059	3,354,774
Plant Services	4,665,823	169,003	309,268	5,144,094
Other Outgo	70,014	-	-	70,014
Capital Outlay	1,374,768	527,828	1,432,174	3,334,770
Debt Service:				
Principal	201,724	-	4,226,100	4,427,824
Interest	6,119	-	1,121,998	1,128,117
Total Expenditures	52,406,895	696,831	7,304,358	60,408,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,161	3,929,219	(6,774,663)	(2,800,283)
Other Financing Sources (Uses):				
Transfers In	80,243	-	5,348,098	5,428,341
Transfers Out	-	(5,418,098)	-	(5,418,098)
Other Sources	353,306	-	-	353,306
Total Other Financing Sources (Uses)	433,549	(5,418,098)	5,348,098	363,549
Net Change in Fund Balance	478,710	(1,488,879)	(1,426,565)	(2,436,734)
Fund Balance, July 1	10,862,093	11,441,819	2,946,773	25,250,685
Fund Balance, June 30	$ 11,340,803	$ 9,952,940	$ 1,520,208	$ 22,813,951

DEL MAR UNION 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, 2016

Total change in fund balances, governmental funds			$ (2,436,734)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds 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:			
	Expenditures for Capital Outlay	3,334,770	
	Depreciation Expense	(2,647,224)	
	Net		687,546
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:			(353,306)
Debt Service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			4,427,824
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that 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:			144,003
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:			(56,095)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: 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, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:			(137,584)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(4,189,702)
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:			(844,501)
Change in net position of governmental activities - statement of activities			$ (2,758,549)

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2016

	Enterprise Fund
	Enterprise Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 1,708,051
Accounts Receivable	7,970
Prepaid Expenses	2,166
Total Current Assets	1,718,187
Total Assets	1,718,187
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension Related	815,738
Total Outflows of Resources	$ 815,738
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 53,373
Due to Other Funds	95,571
Unearned Revenue	170,925
Total Current Liabilities	319,869
Noncurrent Liabilities:	
Net Pension Liability	2,713,202
Other Postemployment Benefits	385,828
Compensated Absences Payable	50,686
Total Noncurrent Liablities	3,149,716
Total Liabilities	3,469,585
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension Related	630,335
Total Inflows of Resources	630,335
NET POSITION:	
Unrestricted (Deficit)	(1,565,995)
Total Net Position	$ (1,565,995)

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund
	Enterprise Fund
Operating Revenues:	
State Revenue	$ 19,736
Local Revenue	4,082,772
Total Revenues	4,102,508
Operating Expenses:	
Certificated Personnel Salaries	292,374
Classified Personnel Salaries	2,557,405
Employee Benefits	836,263
Books and Supplies	268,522
Services and Other Operating Expenses	395,692
Total Expenses	4,350,256
Income (Loss) before Contributions and Transfers	(247,748)
Interfund Transfers Out	(10,243)
Change in Net Position	(257,991)
Total Net Position - Beginning	(1,308,004)
Total Net Position - Ending	$ (1,565,995)

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 4,075,102
Cash Payments to Employees for Services	(3,563,529)
Cash Payments to Other Suppliers for Goods and Services	(770,239)
Net Cash Provided (Used) by Operating Activities	(258,666)
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	7,566
Net Cash Provided (Used) for Investing Activities	7,566
Net Increase (Decrease) in Cash and Cash Equivalents	(251,100)
Cash and Cash Equivalents at Beginning of Year	1,959,151
Cash and Cash Equivalents at End of Year	$ 1,708,051
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (257,991)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(6,463)
Decrease (Increase) in Due From	195
Decrease (Increase) in Prepaid Expenses	(1,594)
Decrease (Increase) in Deferred Outflows of Resources	(586,223)
Increase (Decrease) in Accounts Payable	16,663
Increase (Decrease) in Due To	(93,216)
Increase (Decrease) in Unearned Revenue	6,163
Increase (Decrease) in Net Pension Liability	574,165
Increase (Decrease) in Net OPEB Liability	71,567
Increase (Decrease) in Compensated Absences Payable	11,959
Increase (Decrease) in Deferred Inflows of Resources	13,675
Total Adjustments	6,891
Net Cash Provided (Used) by Operating & Investing Activities	$ (251,100)

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust Funds
	Foundation Private-Purpose Trust Fund
ASSETS:	
Cash in County Treasury	$ 32,115
Accounts Receivable	46
Total Assets	32,161
LIABILITIES:	
Total Liabilities	-
NET POSITION:	
Held in Trust	$ 32,161
Total Net Position	$ 32,161

The accompanying notes are an integral part of this statement.

EXHIBIT A-11

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Foundation Private-Purpose Trust
Additions:	
Investment Income	$ 187
Total Additions	187
Deductions:	
Administrative Expenses	619
Total Deductions	619
Change in Net Position	(432)
Net Position-Beginning of the Year	32,593
Net Position-End of the Year	$ 32,161

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

Del Mar Union 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 two component units, the Del Mar Schools Community Facilities Districts and the Del Mar Schools Education Foundation. The Del Mar Schools Community Facilities Districts are presented as a blended component unit in the District's audited financial statements. The Del Mar Schools Education Foundation, a California non-profit public benefit corporation which raises funds for the benefit of the District, is presented as a discretely presented component unit in the District's audited financial statements.

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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 Project Fund for Blended Component Unit. This fund is used to account for the transactions that are associated with the capital projects of the District's Community Facilities Districts (CFD).

The District reports the following major enterprise funds:

Other Enterprise Fund. This fund accounts for the financial resources of the district associated with the operation of the district's child care programs.

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 are used to account for the proceeds of bond issuances and for the acquisition of capital assets of the district.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

6. 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. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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:

Asset Class	Estimated Useful Lives
Buildings	25-50
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

e. Unearned Revenue

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

f. Interfund Activity

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

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

i. Minimum Fund Balance Policy

The District is a basic aid district and receives funding computed from local property tax revenue. The Board shall establish and maintain a higher level of reserves in an attempt to close the revenue limit differential and protect the District during times of economic uncertainty and fluctuations in property tax revenues. The District Minimum Fund Balance policy requires a Reserve for Economic Uncertainties, consisting of unsassigned amounts of not less than 15 percent of general fund operating expenditures and other financing uses.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

9. 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.

10. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

11. Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

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.

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name		Deficit Amount	Remarks
Enterprise Fund	$	1,565,995	The Enterprise Fund is in a deficit as a result of recording the Net OPEB Obligation and Net Pension Liabilities.

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 ($22,873,675 as of June 30, 2016). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $22,873,675**.** Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

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

Cash balances on hand and in banks ($255,329 as of June 30, 2016) and in the revolving fund ($25,000) are insured up to $250,000 by the Federal Depository Insurance Corporation.

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

4. Investments

The District's investments at June 30, 2016 are shown below.

Investment or Investment Type	Maturity	Amount Reported	Fair Value
Blackrock Treasury Funds	<30 Days	$ 2,039,058	$ 2,039,058
Total Investments		$ 2,039,058	$ 2,039,058

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAAf/S1 by Standard & Poors. At year end the District was not exposed to credit risk.

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. 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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.

As of June 30, 2016, the District's cash balances exceeded FDIC limitations by $54,367. The District has never incurred losses in such accounts and does not believe the risk to be significant.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable as of June 30, 2016 are as follows:

	Major Governmental Funds			
	General Fund	Capital Projects Fund For Blended Component Unit	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:				
Federal Programs	$ 918,999	$ -	$ 20,483	$ 939,482
State Government:				
Lottery	493,167	-	-	493,167
Special Education	136,831	-	-	136,831
Other State Programs	-	-	976	976
Local Sources:				
Interest	22,311	11,040	1,973	35,324
Other Local Revenues	79,520	-	12,127	91,647
Total	$ 1,650,828	$ 11,040	$ 35,559	$ 1,697,427

	Enterprise Fund	Foundation Trust Fund	Total Other Funds
Local Sources:			
Interest	$ 1,937	$ 46	$ 1,983
Other Local Revenues	6,033	-	6,033
Total	$ 7,970	$ 46	$ 8,016

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

E. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 36,813,151	$ -	$ -	$ 36,813,151
Work in progress	1,648,418	114,424	1,648,418	114,424
Total capital assets not being depreciated	38,461,569	114,424	1,648,418	36,927,575
Capital assets being depreciated:				
Buildings	100,726,640	3,769,524	-	104,496,164
Improvements	2,803,638	520,872	-	3,324,510
Equipment	3,072,559	578,369	11,000	3,639,928
Total capital assets being depreciated	106,602,837	4,868,765	11,000	111,460,602
Less accumulated depreciation for:				
Buildings	(27,407,531)	(2,279,145)	-	(29,686,676)
Improvements	(1,457,274)	(134,054)	-	(1,591,328)
Equipment	(1,348,675)	(234,026)	(11,000)	(1,571,701)
Total accumulated depreciation	(30,213,480)	(2,647,225)	(11,000)	(32,849,705)
Total capital assets being depreciated, net	76,389,357	2,221,540	-	78,610,897
Governmental activities capital assets, net	$ 114,850,926	$ 2,335,964	$ 1,648,418	$ 115,538,472

Depreciation was charged to functions as follows:

Instruction	$ 2,063,470
Instruction-Related Services	54,967
General Administration	60,362
Plant Services	57,503
Unallocated	410,923
	$ 2,647,225

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2016, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Project Fund	$ 30,530	AV Equipment Reimbursement
General Fund	Capital Project Fund	70,000	CFD Administration Fee
General Fund	Enterprise Fund	91,738	Reimbursement of Expenses
General Fund	Enterprise Fund	3,833	OPEB Expenses
General Fund	Nonmajor Govt. Funds	1,082	OPEB Expenses
General Fund	Nonmajor Govt. Funds	13,969	Indirect Costs
General Fund	Nonmajor Govt. Funds	20,000	Interfund Loan
Capital Project Fund	Nonmajor Govt. Funds	5,375	Reimbursment of Expenses
Nonmajor Govt. Funds	General Fund	135,126	Deferred Maintenance
Nonmajor Govt. Funds	General Fund	7,348	Salary Correction
	Total	$ 379,001	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Capital Project Fund	General Fund	$ 70,000	CFD Administration Fee
Capital Project Fund	Debt Service Fund	5,348,098	CFD Debt Service Payments
Enterprise Fund	General Fund	10,243	Reimbursement of Expenses
	Total	$ 5,428,341	

G. Accounts Payable

Accounts payable as of June 30, 2016 are as follows:

	Major Governmental Funds			
	General Fund	Capital Projects Fund For Blended Component Unit	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 497,834	$ -	$ 52,736	$ 550,570
Sales tax payable	1,262		-	1,262
Pension related liabilities	378,638	-	831	379,469
Payroll and related benefits	269,128	-	15	269,143
Total	$ 1,146,862	$ -	$ 53,582	$ 1,200,444

	Enterprise Fund
Vendor payables	$ 8,291
Sales tax payable	265
Pension related liabilities	28,421
Payroll and related benefits	16,396
Total	$ 53,373

H. Unearned Revenue

Unearned revenue as of June 30, 2016 are as follows:

	General Fund	Enterprise Fund
Local Sources:		
2016-17 restricted donation	$ 1,270,000	$ -
Prepaid child care fees	-	170,925
Other local sourcese	79,034	-
Total	$ 1,349,034	$ 170,925

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Components of Ending Fund Balance

Ending fund balance for the year ended June 30, 2016 consisted of:

	Major Governmental Funds			
	General Fund	Capital Projects Fund For Blended Component Unit	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances				
Revolving Cash	$ 25,000	$ -	$ -	$ 25,000
Prepaid Items	117,535	-	-	117,535
Total Nonspendable	142,535	-	-	142,535
Restricted Fund Balances				
Capital Projects	-	9,952,940	-	9,952,940
Child Nutrition Program	-	-	39,250	39,250
Special Education	19,595	-	-	19,595
Total Restricted	19,595	9,952,940	39,250	10,011,785
Committed Fund Balances				
Deferred Maintenance	-	-	211,542	211,542
Total Committed	-	-	211,542	211,542
Assigned Fund Balances				
Capital Projects	-	-	1,269,416	1,269,416
Post Retirement Benefits	1,742,118	-	-	1,742,118
School Sites	270,950	-	-	270,950
Total Assigned	2,013,068	-	1,269,416	3,282,484
Unassigned Fund Balances				
For Economic Uncertainty	1,572,799	-	-	1,572,799
Other Unassigned	7,592,806	-	-	7,592,806
Total Unassigned	9,165,605	-	-	9,165,605
Total Fund Balance	$ 11,340,803	$ 9,952,940	$ 1,520,208	$ 22,813,951

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

K. 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, 2016, are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Special Tax Bonds					
Principal Balance	$ 26,505,000	$ -	$ 4,125,000	$ 22,380,000	670,000
Bond Premium	63,480	-	2,885	60,595	2,885
Bond Discount	(82,439)	-	(27,699)	(54,740)	(1,636)
Total Special Tax Bonds	26,486,041	-	4,100,186	22,385,855	671,249
Capital leases	340,293	353,306	201,724	491,875	199,783
Net OPEB Obligation	3,708,336	844,501	-	4,552,837	-
Net Pension Liability	36,626,052	7,393,316	-	44,019,368	-
Compensated absences *	206,410	56,095	-	262,505	262,505
Total governmental activities	$ 67,367,132	$ 8,647,218	$ 4,301,910	$ 71,712,440	$ 1,133,537

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Net OPEB Obligation	$ 314,261	$ 71,567	$ -	$ 385,828	-
Net Pension Liability	2,139,037	574,165	-	2,713,202	-
Compensated absences *	38,727	11,959	-	50,686	50,686
Total business-type activities	$ 2,492,025	$ 657,691	$ -	$ 3,149,716	$ 50,686

* 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 Fund
Compensated absences	Business-type	Enterprise Fund

2. Debt Service Requirements

Debt service requirements on long-term debt, net of premium, discount, OPEB obligation and net pension liability at June 30, 2016, are as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2017	$ 1,152,289	$ 1,034,221	$ 2,186,510
2018	913,117	1,004,853	1,917,970
2019	828,974	973,513	1,802,487
2020	770,000	941,994	1,711,994
2021	795,000	909,923	1,704,923
2022-2026	4,505,000	3,994,085	8,499,085
2027-2031	5,670,000	2,811,047	8,481,047
2032-2036	6,360,000	1,267,401	7,627,401
2037-2041	2,140,000	112,055	2,252,055
Totals	$ 23,134,380	$ 13,049,092	$ 36,183,472

	Business-type Activities		
Year Ending June 30,	Principal	Interest	Total
2017	$ 50,686	$ -	$ 50,686
Totals	$ 50,686	$ -	$ 50,686

3. Special Tax Bonds

On June 14, 2007 the Community Facilities District No. 95-1 of the District issued bonds under the Mello-Roos Community Facilities Act of 1982 in order to fund public works projects within the District's boundaries. The bonds were issued with maturity dates beginning in 2008 and extending through 2036 with coupons varying in yield from 3.70% to 4.85%. The principal and interest payments will be made from special taxes assessed on the properties located within the Community Facilities District No. 95-1.

On June 7, 2012 the Community Facilities District No. 99-1 of the District issued bonds under the Mello-Roos Community Facilities Act of 1982 in order to refund previously issued special tax bonds that were used to fund public works projects within the District's boundaries. The bonds were issued with maturity dates beginning in 2013 and extending through 2038 with coupons varying in yield from 1.00% to 4.92%. The principal and interest payments will be made from special taxes assessed on the properties located within the Community Facilities District No. 99-1.

A summary of special tax bonds outstanding as of June 30, 2016 are as follows:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2007 Special Tax Bonds	06/14/07	3.70 - 4.85%	09/01/36	$ 19,955,000
2012 Tax Refunding Bonds	06/07/12	1.00 - 4.92%	09/01/38	9,920,000
Total Special Tax Bonds				$ 29,875,000

	Beginning Balance	Increases	Decreases	Ending Balance
2007 Special Tax Bonds				
Principal Balance	$ 17,020,000	$ -	$ 495,000	$ 16,525,000
Unamortized Premium	63,480	-	2,885	60,595
Total 2007 Bonds	17,083,480	-	497,885	16,585,595
2012 Tax Refunding Bonds				
Principal Balance	9,485,000	-	3,630,000	5,855,000
Unamortized Discount	(82,439)	-	(27,699)	(54,740)
Total 2012 Bonds	9,402,561	-	3,602,301	5,800,260
Total Special Tax Bonds	$ 26,486,041	$ -	$ 4,100,186	$ 22,385,855

The annual requirements to amortize the bonds outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 690,000	$ 1,026,160	$ 1,716,160
2018	710,000	1,000,128	1,710,128
2019	740,000	972,178	1,712,178
2020	770,000	941,994	1,711,994
2021	795,000	909,923	1,704,923
2022-2026	4,505,000	3,994,085	8,499,085
2027-2031	5,670,000	2,811,047	8,481,047
2032-2036	6,360,000	1,267,401	7,627,401
2037-2041	2,140,000	112,055	2,252,055
Totals	$ 22,380,000	$ 13,034,971	$ 35,414,971

Bond Premium

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

2007 special tax bonds issued June 14, 2007 were issued at a premium. The premium is being amortized over the life of the bonds using the straight line method.

Premiums issued on bonds resulted in effective interest rates as follows:

Total Interest Payments on Bonds	$	17,132,453
Less Bond Premium		(86,561)
Net Interest Payments		17,045,892
Par amount of Bonds		19,955,000
Periods		30
Effective Interest Rate		2.847%

Bond Discount

Bond discount arises when the market rate of interest is lower than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the discount decrease the face value of the bond and then amortize the discount over the life of the bond.

2012 special tax bonds issued June 7, 2012 were issued at a discount. The discount is being amortized over the life of the bonds using the straight line method.

Premiums issued on bonds resulted in effective interest rates as follows:

Total Interest Payments on Bonds	$	6,972,085
Plus Bond Discount		82,440
Net Interest Payments		7,054,525
Par amount of Bonds		9,920,000
Periods		26
Effective Interest Rate		2.735%

4. Capital Leases

On June 23, 2011 the District entered into a capital lease agreement with Apple Financial Services to purchase computer equipment. The lease calls for annual payments of $92,811 which includes principal and interest at a rate of 2.90%.

On May 5, 2014 the District entered into a capital lease agreement with Apple Financial Services to purchase computer equipment. The lease calls for annual payments of $117,535 which includes principal and interest at a rate of 1.798%.

A summary of the district's capital leases outstanding as of June 30, 2016 are as follows:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2014 Apple Financial	05/05/2014	1.798%	07/01/2017	$ 457,152
2016 Apple Financial	07/15/2015	1.500%	07/15/2018	353,306
Total Capital Leases				$ 810,458

	Beginning Balance	Increases	Decreases	Ending Balance
2014 Apple Financial	$ 340,293	$ -	$ 111,416	$ 228,877
2016 Apple Financial	-	353,306	90,308	262,998
Total Capital Leases	$ 340,293	$ 353,306	$ 201,724	$ 491,875

The annual requirements to repay the capital leases outstanding are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 199,784	$ 8,061	$ 207,845
2018	203,117	4,725	207,842
2019	88,974	1,335	90,309
Totals	$ 491,875	$ 14,121	$ 505,996

L. Joint Ventures (Joint Powers Agreements)

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

The JPA arranges for and provides for various types of insurance 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.

Financial information on the District's share of the SDCSRM JPA for the year ended June 30, 2016 was not available at the time this report was issued. The information can be obtained by contacting the JPA at 6401 Linda Vista Road, San Diego, California 92111.

M. Pension Expense - Primary Government

1. General Information About the Pension Plans

a. Plan Descriptions

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 California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2016 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (at June 30, 2015)	8.15%	8.15%
Required employer contribution rates (at June 30, 2015)	8.88%	8.88%
Required state contribution rates (at June 30, 2015)	5.679%	5.679%
Required employee contribution rates (at June 30, 2016)	9.200%	8.56%**
Required employer contribution rates (at June 30, 2016)	10.73%	10.73%
Required state contribution rates (at June 30, 2016)	7.126%	7.126%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (at June 30, 2015)	7.00%	6.00%
Required employer contribution rates (at June 30, 2015)	11.771%	11.771%
Required employee contribution rates (at June 30, 2016)	7.00%	6.00%
Required employer contribution rates (at June 30, 2016)	11.847%	11.847%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. For the fiscal year ending June 30, 2016, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 11.847%.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.88% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. For the fiscal year ended June 30, 2016 required employee rate is 9.20% if the employee started before January 1, 2013 and 8.56% if the employee started on or after January 1, 2013. For the fiscal year ended June 30, 2016 the required employer contribution rate is 10.730%.

e. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2015 (measurement date) the State contributed 5.678848% of salaries creditable to CalSTRS. For the fiscal year ended June 30, 2016 the State contribution rate was 7.126% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

f. Contributions Recognized

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Governmental Activities		Business Type Activities		
	CalSTRS	CalPERS	CalSTRS	CalPERS	Total
Contributions - Employer	$ 2,191,143	$ 707,643	$ 24,820	$ 204,695	$ 3,128,301
Contributions - Employee	2,138,691	425,803	23,259	123,169	2,710,922
Contributions - State	1,305,814	-	13,211	-	1,319,025
Total Contributions	$ 5,635,648	$ 1,133,446	$ 61,290	$ 327,864	$ 7,158,248

g. Pension Expense

	Governmental Activities		Business Type Activities		
	CalSTRS	CalPERS	CalSTRS	CalPERS	Total
Change in Net Pension Liability	$ 5,679,544	$ 1,713,772	$ 63,603	$ 510,562	$ 7,967,481
Increases/(Decreases) Resulting From Changes In Deferred Outflows & Deferred Inflows for:					
Contributions Made Subsequent to Measurement Date	(584,253)	(90,346)	(8,794)	(48,394)	(731,787)
Difference Between Actual & Expected Experience	(7,005)	(489,954)	(79)	(141,726)	(638,764)
Change in Assumptions	-	526,742	-	152,367	679,109
Change in Proportionate Shares	(816,554)	94,061	(8,664)	15,342	(715,815)
Net Difference Between Projected & Actual Earnings	9,709	(1,846,014)	110	(532,710)	(2,368,905)
Total Pension Expense	$ 4,281,441	$ (91,739)	$ 46,176	$ (44,559)	$ 4,191,319

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Governmental Activities	Business Type Activities	Total
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
CalSTRS	$ 36,050,971	$ 408,240	$ 36,459,211
CalPERS	7,968,397	2,304,962	10,273,359
Total Net Pension Liability	$ 44,019,368	$ 2,713,202	$ 46,732,570

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability**.** The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	CalSTRS				
	District's Proportionate Share		State's Proportionate Share		Total for District Employees
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	
June 30, 2014	0.0516%	0.0006%	0.0310%	0.0004%	0.0836%
June 30, 2015	0.0534%	0.0006%	0.0318%	0.0003%	0.0861%
Change	0.0018%	-	0.0008%	-0.0001%	0.0025%

	CalPERS		
	District's Proportionate Share		Total for District Employees
	Governmental Activities	Business Type Activities	
June 30, 2014	0.0551%	0.0158%	0.0709%
June 30, 2015	0.0541%	0.0156%	0.0697%
Change	-0.0010%	-0.0002%	-0.0012%

For the year ended June 30, 2016, the District recognized pension expense of $4,191,319. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,573,385	$ -	$ 286,703	$ -
Differences between actual & expected experience	496,959	-	141,805	-
Changes in assumptions	-	(526,742)	-	(152,367)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	816,554	(94,061)	8,664	(15,342)
Net difference between projected and actual experience on plan inventsments	1,308,724	(1,629,010)	378,566	(462,626)
Total	$ 6,195,622	$ (2,249,813)	$ 815,738	$ (630,335)

$3,860,088 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Governmental Activities		
Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	$ 655,558	$ (697,241)	$ (41,683)
2018	655,559	(697,241)	(41,682)
2019	655,559	(697,240)	(41,681)
2020	655,560	(158,091)	497,469
Total	$ 2,622,236	$ (2,249,813)	$ 372,423

	Business Type Activities		
Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	$ 132,258	$ (196,126)	$ (63,868)
2018	132,258	(196,126)	(63,868)
2019	132,258	(196,126)	(63,868)
2020	132,261	(41,957)	90,304
Total	$ 529,035	$ (630,335)	$ (101,300)

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2014		June 30, 2014	
Measurement Date	June 30, 2015		June 30, 2015	
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS			
Actuarial Assumptions:				
Discount Rate	7.6000%		7.6500%	
Inflation	3.0%		2.75%	
Payroll Growth	3.75%		3.00%	
Projected Salary Increase	0.05%-5.6%	(1)	3.20%-10.80%	(1)
Investment Rate of Return	7.6000%	(2)	7.6500%	(2)
Mortality	0.013%-0.435%	(3)	0.0013-0.4591%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Industry standard published by the Society of Actuaries

b. Discount Rate

The discount rate used to measure the total pension liability was 7.6000% for CalSTRS and 7.6500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuariallyassumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

CalPERS has changed the discount rate from 7.50% to 7.65% to correct for an adjustment to exclude administrative expenses.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation**.** These rates of return are net of administrative expenses.

<u>CalSTRS</u>

Asset Class	Strategic Allocation	Long Term Expected Return*
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation Sensitive	5.00%	3.20%
Fixed Income	20.00%	0.20%
Liquidity	1.00%	-

*10 year geometric average used for long term expected real rate of return

<u>CalPERS</u>

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Governmental Activities		Business Type Activities	
	CalSTRS	CalPERS	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%	6.60%	6.65%
Net Pension Liability	$ 54,278,576	$ 12,969,228	$ 614,836	$ 3,751,519
Current Discount Rate	7.60%	7.65%	7.60%	7.65%
Net Pension Liability	$ 36,050,971	$ 7,968,397	$ 408,240	$ 2,304,962
1% Increase	8.60%	8.65%	8.60%	8.65%
Net Pension Liability	$ 20,713,683	$ 3,809,870	$ 234,633	$ 1,102,055

d. Pension Plan Fiduciary Net Position

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2015 (Previously Reported)	$ 205,801,447	$ 157,485,417	$ 48,316,030	$ 18,134,095	$ 30,181,935
Adjustment for CalSTRS Audit Adjustments	-	(137,972)	137,972	(51,521)	189,493
Balance at June 30, 2015 (As Adjusted)	205,801,447	157,347,445	48,454,002	18,082,574	30,371,428
Changes for the year:					
Change in proportionate share	6,311,838	4,830,008	1,481,830	461,138	1,020,692
Service cost	4,734,633	-	4,734,633	1,767,980	2,966,653
Interest	15,812,787	-	15,812,787	5,904,721	9,908,066
Differences between expected and actual experience	(1,118,041)	-	(1,118,041)	(417,493)	(700,548)
Contributions:					
Employer	-	2,191,143	(2,191,143)	(852,110)	(1,339,033)
Employee	-	2,138,691	(2,138,691)	(798,618)	(1,340,073)
State On Behalf	-	1,305,814	(1,305,814)	(453,704)	(852,110)
Net investment income	-	6,486,382	(6,486,382)	(2,422,108)	(4,064,274)
Other income	-	3,353	(3,353)	(1,252)	(2,101)
Benefit payments, including refunds of employee contributions	(10,707,118)	(10,707,118)	-	-	-
Administrative expenses	-	(131,301)	131,301	49,030	82,271
Net Changes	15,034,099	6,116,972	8,917,127	3,237,584	5,679,543
Balance at June 30, 2016	$ 220,835,546	$ 163,464,417	$ 57,371,129	$ 21,320,158	$ 36,050,971

CalSTRS - Business Type Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2015 (Previously Reported)	$ 2,336,224	$ 1,787,748	$ 548,476	$ 205,860	$ 342,616
Adjustment for CalSTRS Audit Adjustments	-	(1,500)	1,500	(521)	2,021
Balance at June 30, 2015 (As Adjusted)	2,336,224	1,786,248	549,976	205,339	344,637
Changes for the year:					
Change in proportionate share	(29,413)	(22,507)	(6,906)	(17,735)	10,829
Service cost	51,491	-	51,491	17,886	33,605
Interest	171,970	-	171,970	59,737	112,233
Differences between expected and actual experience	(12,159)	-	(12,159)	(4,224)	(7,935)
Contributions:					
Employer	-	24,820	(24,820)	(8,621)	(16,199)
Employee	-	23,259	(23,259)	(8,079)	(15,180)
State On Behalf	-	13,211	(13,211)	(4,590)	(8,621)
Net investment income	-	70,542	(70,542)	(24,504)	(46,038)
Other income	-	36	(36)	(13)	(23)
Benefit payments, including refunds of employee contributions	(116,444)	(116,444)	-	-	-
Administrative expenses	-	(1,428)	1,428	496	932
Net Changes	65,445	(8,511)	73,956	10,353	63,603
Balance at June 30, 2016	$ 2,401,669	$ 1,777,737	$ 623,932	$ 215,692	$ 408,240

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	$ 37,625,920	$ 31,371,295	$ 6,254,625
Changes for the year:			
Change in proportionate share	(707,303)	(589,727)	(117,576)
Service cost	878,461	-	878,461
Interest	2,785,416	-	2,785,416
Differences between expected and actual experience	612,442	-	612,442
Changes in assumptions	(658,428)	-	(658,428)
Contributions - Employer	-	707,643	(707,643)
Contributions - Employee	-	425,803	(425,803)
Net plan to plan resource movement	-	(70)	70
Net investment income	-	687,832	(687,832)
Benefit payments, including refunds of employee contributions	(1,802,382)	(1,802,382)	-
Administrative expenses	-	(34,665)	34,665
Net Changes	1,108,206	(605,566)	1,713,772
Balance at June 30, 2016	$ 38,734,126	$ 30,765,729	$ 7,968,397

CalPERS - Business Type Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	$ 10,794,564	$ 9,000,164	$ 1,794,400
Changes for the year:			
Change in proportionate share	(115,371)	(96,193)	(19,178)
Service cost	254,106	-	254,106
Interest	805,718	-	805,718
Differences between expected and actual experience	177,157	-	177,157
Changes in assumptions	(190,459)	-	(190,459)
Contributions - Employer	-	204,695	(204,695)
Contributions - Employee	-	123,169	(123,169)
Net plan to plan resource movement	-	(20)	20
Net investment income	-	198,965	(198,965)
Benefit payments, including refunds of employee contributions	(521,362)	(521,362)	-
Administrative expenses	-	(10,027)	10,027
Net Changes	409,789	(100,773)	510,562
Balance at June 30, 2016	$ 11,204,353	$ 8,899,391	$ 2,304,962

|Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

N. Alternative Pension Plan

The District participates in one alternative pension plan through the Fringe Benefit Consortium (FBC) Deferred Compensation Program. The FBC was formed in October 1982 as part of a Joint Powers Agreement (JPA) of the San Diego County Office of Education**.** The FBC provides 401(a), 457(b), and 403(b) investment programs. Under these plans, eligible employees will contribute up to $17,500 per year of their salary before taxes. The catch-up contribution limit for those age 50 and over is $5,500. The District does not have any obligation with regards to this voluntary plan offered to employees.

O. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Del Mar Union School District (District) administers a single-employer healthcare plan (Plan). The plan provides retiree medical (including prescription drug benefits), dental, and vision benefits to eligible retirees and their eligible dependents until the retiree turns age 65. The District's financial obligation is to provide these benefits at the same cost as active employees. The District's contribution is subject to an annual maximum ($8,818). The annual maximum is subject to periodic changes. Hourly and most part-time employees are not eligible for retiree health benefits.

The District currently provides retiree health benefits to age 65 to approximately 12 retired employees. In addition, the District currently has approximately 360 current employees working and earning service credit towards retiree health benefits.

Eligibility for retiree health coverage requires retirement from PERS or STRS, be at least 55 years of age, and have completed the required years of full time service equal to 75 (rule of 75). The District does not provide retiree health benefits after a retiree turns 65 years of age. Dependent coverage ceases upon the death of the retiree or when the retiree turns 65 year of age.

Contribution Information

The medical plans are partially experienced rated insured plans. The premium rates vary by plans and tiers**.** Keenan and Associates is the District's insurance broker. In the 2015-16 fiscal year the District offered two Kaiser Permanente HMO plans, two Anthem Blue Cross HMO plan and two Anthem Blue Cross PPO plans. The District also offers a self-insured Delta Dental Plan and VSP Vision Care Plan through the San Diego Fringe Benefits Consortium**.** The District currently offers benefits to 378 active employees.

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 Districts annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

	Governmental Activities	Business Type Activities	Total
Annual required contribution	$ 1,138,240	$ 96,460	$ 1,234,700
Interest on net OPEB obligation	21,360	1,810	23,170
Adjustment to annual required contribution	(262,114)	(22,213)	(284,327)
Annual OPEB cost (expense)	897,486	76,057	973,543
Contribution made	(52,985)	(4,490)	(57,475)
Increase in net OPEB obligation	844,501	71,567	916,068
Net OPEB obligation, beginning of year	3,708,336	314,261	4,022,597
Net OPEB obligation, end of year	$ 4,552,837	$ 385,828	$ 4,938,665

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2015, and 2016 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 816,678	13.36%	$ 3,310,416
2015	798,906	10.84%	4,022,687
2016	973,543	5.90%	4,938,665

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.

In the July 2015 actuarial valuation, 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.

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after four years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2015 of 23 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

P. Deferred Outflows of Resources

In 2012 the District issued refunding special tax bonds to repay the 2003 special tax bonds outstanding. The refunding resulted in an overall increase in long term liabilities of $303,423 and therefore is recorded as a refunding loss in deferred outflows of resources. The refunding loss will be amortized over the life of the refunding bonds using the straight line method.

In addition, in accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources. Additionally, deferred outflows of resources pension related include differences between expected and actual experience, change in proportionate share of the total net pension liability, and the net difference between projected and actual earnings on plan investments.

A summary of the deferred outflows of resources as of June 30, 2016 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Refunding loss	06/07/2012	26 Years	$ 280,080	$ -	$ 11,670	268,410
Pension related - Governmental		Varies	2,898,786	6,851,181	3,554,345	6,195,622
Pension related - Business Type		Varies	229,515	947,996	361,773	815,738
Total Deferred Outflows of Resources			$ 3,408,381	$ 7,799,177	$ 3,927,788	$ 7,279,770

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Governmental Activities Refunding Loss	Governmental Activities Pension Related	Business Type Activities Pension Related	Total
2017	$ 11,670	$ 4,228,944	$ 418,961	$ 4,659,575
2018	11,670	655,559	132,258	799,487
2019	11,670	655,559	132,258	799,487
2020	11,670	655,560	132,261	799,491
2021	11,670	-	-	11,670
2022-2026	58,350	-	-	58,350
2027-2031	58,350	-	-	58,350
2032-2036	58,350	-	-	58,350
2037-2041	35,010	-	-	35,010
Total	$ 268,410	$ 6,195,622	$ 815,738	$ 7,279,770

Q. Deferred Inflows of Resources

GASB Statement No. 68 requires that certain items relating to net pension liability be recorded as deferred inflows of resources and amortized over time. For the year ended June 30, 2015 amounts recorded as deferred inflows of resources that are pension related are the differences between projected and actual earnings on plan investments**.** During the year ended June 30, 2016 additional deferred inflows of resources, pension related were accrued for changes in assumptions, change in proportionate share, and the net difference between projected and actual earnings.

A summary of the deferred inflows of resources as of June 30, 2016 is as follows:

Description	Amortization Term	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Pension related - Governmental	Varies	$ 2,156,591	$ 790,463	$ 697,241	$ 2,249,813
Pension related - Business Type	Varies	616,660	209,801	196,126	630,335
Total Deferred Outflows of Resources		$ 2,773,251	$ 1,000,264	$ 893,367	$ 2,880,148

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Governmental Activities Pension Related	Business Type Activities Pension Related	Total Primary Government
2017	$ 697,241	$ 196,126	$ 893,367
2018	697,241	196,126	893,367
2019	697,240	196,126	893,366
2020	158,091	41,957	200,048
Total	$ 2,249,813	$ 630,335	$ 2,880,148

R. Adjustment to Beginning Net Position

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS. During the current year it was determined that the CalSTRS proportionate share amount did not include payments made on behalf of District employees by the California Department of Education under a special funding agreement. As a result, there was an understatement in proportionate share reported by the District which is being corrected with an adjustment to beginning net position**.** Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

In addition to corrections to beginning net position related to errors in proportionate share and audit adjustments made to CalSTRS records, the District's proportionate share has changed between the prior and current year. In order to accurately calculate ending proportionate share of net pension liability, the District has adjusted beginning net position to be aligned with the current year proportionate share. The difference resulting from the change in proportionate share was then set up as a deferred inflow of resources to be amortized over five years.

Finally, corrections were made to move items previously reported in the governmental activities on behalf of the Enterprise Fund for compensated absences, net OPEB obligation, net pension liability, deferred outflows of resources and deferred inflows of resources. Those items are now being correctly reported in the Enterprise Fund under Business Type Activities.

Beginning net position was adjusted as follows:

	Governmental Activities	Business Type Activities	Enterprise Fund
Net Position, Beginning (As Originally Stated)	$ 67,104,830	$ 1,571,166	$ 1,571,166
Adjustments for:			
Correction to Compensated Absences	38,727	(38,727)	(38,727)
Correction to Net OPEB Obigation	314,261	(314,261)	(314,261)
Correction to Net Pension Liability	1,821,408	(2,139,037)	(2,139,037)
Correction to Deferred Outflows of Resources	(4,026,098)	229,515	229,515
Correction to Deferred Inflows of Resources	8,095,794	(616,660)	(616,660)
Net Position, Beginning (As Restated)	$ 73,348,922	$ (1,308,004)	$ (1,308,004)

S. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

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.

T. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 74

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

The District has adopted the provisions of GASB Statement No. 74 effective for the 2016-17 fiscal year.

GASB Statement No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

The gross dollar amount of taxes abated during the period.

Commitments made by a government, other than to abate taxes, as a part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

The names of the governments that entered into the agreements

The specific taxes being abated

The gross dollar amount of taxes abated during the period

The District has adopted the provisions of GASB Statement No. 77 effective for the 2016-17 fiscal year.

GASB Statement No. 78

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

GASB Statement No. 79

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 79 Certain External Investment Pools and Pool Participants This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 fiscal year.

Required Supplementary Information

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

DEL MAR UNION SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ -	$ 1,170,350	$ 1,170,350	$ -
Education Protection Account Funds	-	853,440	853,440	-
Local Sources	40,053,686	39,693,865	39,693,865	-
Federal Revenue	1,034,611	1,110,658	1,061,592	(49,066)
Other State Revenue	3,805,181	5,724,582	5,704,845	(19,737)
Other Local Revenue	3,428,063	3,967,965	3,967,964	(1)
Total Revenues	48,321,541	52,520,860	52,452,056	(68,804)
Expenditures:				
Current:				
Certificated Salaries	25,120,772	26,244,599	26,244,604	(5)
Classified Salaries	6,893,075	7,146,230	7,146,230	-
Employee Benefits	8,275,469	10,137,430	10,117,692	19,738
Books And Supplies	1,250,125	2,336,232	2,107,043	229,189
Services And Other Operating Expenditures	4,557,584	5,215,476	5,138,701	76,775
Other Outgo	137,258	70,014	70,014	-
Direct Support/Indirect Costs	(11,694)	-	-	-
Capital Outlay	1,961,109	1,411,462	1,374,768	36,694
Debt Service:				
Principal	201,724	201,724	201,724	-
Interest	6,119	6,119	6,119	-
Total Expenditures	48,391,541	52,769,286	52,406,895	362,391
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,000)	(248,426)	45,161	293,587
Other Financing Sources (Uses):				
Transfers In	70,000	80,243	80,243	-
Other Sources	-	353,306	353,306	-
Total Other Financing Sources (Uses)	70,000	433,549	433,549	-
Net Change in Fund Balance	-	185,123	478,710	293,587
Fund Balance, July 1	10,862,093	10,862,093	10,862,093	-
Fund Balance, June 30	$ 10,862,093	$ 11,047,216	$ 11,340,803	$ 293,587

DEL MAR UNION SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN
YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial 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)
7/1/2007	$ -	$ 3,005,580	$ 3,005,580	-	$ 20,600,000	14.6%
7/1/2009	-	3,626,013	3,626,013	-	23,910,000	15.2%
7/1/2011	-	4,772,123	4,772,123	-	25,175,000	19.0%
7/1/2013	-	6,099,372	6,099,372	-	26,267,000	23.2%
7/1/2015	-	7,858,037	7,858,037	-	26,985,000	29.1%

DEL MAR UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0540%	0.0522%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 36,459,211	30,716,064	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	21,535,852	21,525,498	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	57,995,063	52,241,562	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 26,179,031	24,954,539	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	139.27%	123.09%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such no information is being presented for years prior to implementation.

Notes to Schedule:

1) Benefit Changes: In 2015 and 2016 there were no changes to benefits.

2) Changes in Assumptions: In 2015 and 2016, there were no changes in assumptions.

DEL MAR UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 2,809,010	2,215,963	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(2,809,010)	(2,215,963)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 26,179,031	24,954,539	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such information is not being presented for years prior to implementation.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	06/30/14	06/30/15
Experience Study	07/01/06- 06/30/10	07/01/07 06/30/11
Actuarial Cost Method	Entry age normal	
Investment Rate of Return1	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%
Wage Growth	3.75%	3.75%
Post-retirement Benefit Increases	2.00% simple	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The bestestimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

DEL MAR UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0697%	0.0709%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 10,273,359	8,049,025	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 8,872,103	7,750,726	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	115.79%	103.85%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such years previous to implementation are not presented in this schedule.

Notes to Schedule:

1) Benefit changes: In 2015 and 2016 there were no changes to the benefits.

2) Changes in assumptions: In 2015 there were no changes to assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

EXHIBIT B-5

DEL MAR UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 1,051,078	912,338	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,051,078)	(912,338)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 8,872,103	7,750,726	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 and June 30, 2015 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2013 and June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68	
Actuarial Assumptions		
Valuation Date	06/30/14	06/30/15
Experience Study	07/01/96- 06/30/10	07/01/97 06/30/11
Discount Rate	7.50%	7.65%
Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post Retirement Increase	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2013 and 2014 experience study reports available on the CalPERS website.

All other actuarial assumptions used in the valuations were based on the results of actuarial experience studies for periods noted above, including updates to salary increase, mortality and retirement rates. Further details of the Experience Studies can be found at CalPERS' website.

Excess of Expenditures Over Appropriations

As of June 30, 2016, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category	Excess Expenditures	Reason for Excess Expenditures
General Fund:		
Certificated Salaries	$5	Rounding variances in estimates

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.

DEL MAR UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 138,346	$ -	$ 1,297,837	$ 1,436,183
Accounts Receivable	25,097	-	10,462	35,559
Due from Other Funds	142,474	-	-	142,474
Total Assets	305,917	-	1,308,299	1,614,216
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 20,074	$ -	$ 33,508	$ 53,582
Due to Other Funds	35,051	-	5,375	40,426
Total Liabilities	55,125	-	38,883	94,008
Fund Balance:				
Restricted Fund Balances	39,250	-	-	39,250
Committed Fund Balances	211,542	-	-	211,542
Assigned Fund Balances	-	-	1,269,416	1,269,416
Total Fund Balance	250,792	-	1,269,416	1,520,208
Total Liabilities and Fund Balances	$ 305,917	$ -	$ 1,308,299	$ 1,614,216

DEL MAR UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
LCFF Sources:				
Local Sources	$ 135,126	$ -	$ -	$ 135,126
Federal Revenue	124,240	-	-	124,240
Other State Revenue	5,957	-	-	5,957
Other Local Revenue	84,542	-	179,830	264,372
Total Revenues	349,865	-	179,830	529,695
Expenditures:				
Current Expenditures				
Pupil Services	213,759	-	-	213,759
General Administration	-	-	1,059	1,059
Plant Services	309,268	-	-	309,268
Capital Outlay	-	-	1,432,174	1,432,174
Debt Service:				
Principal	-	4,226,100	-	4,226,100
Interest	-	1,121,998	-	1,121,998
Total Expenditures	523,027	5,348,098	1,433,233	7,304,358
Excess (Deficiency) of Revenues Over (Under) Expenditures	(173,162)	(5,348,098)	(1,253,403)	(6,774,663)
Other Financing Sources (Uses):				
Transfers In	-	5,348,098	-	5,348,098
Total Other Financing Sources (Uses)	-	5,348,098	-	5,348,098
Net Change in Fund Balance	(173,162)	-	(1,253,403)	(1,426,565)
Fund Balance, July 1	423,954	-	2,522,819	2,946,773
Fund Balance, June 30	$ 250,792	$ -	$ 1,269,416	$ 1,520,208

DEL MAR UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 42,915	$ 95,431	$ 138,346
Accounts Receivable	24,960	137	25,097
Due from Other Funds	7,348	135,126	142,474
Total Assets	75,223	230,694	305,917
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 922	$ 19,152	$ 20,074
Due to Other Funds	35,051	-	35,051
Total Liabilities	35,973	19,152	55,125
Fund Balance:			
Restricted Fund Balances	39,250	-	39,250
Committed Fund Balances	-	211,542	211,542
Total Fund Balance	39,250	211,542	250,792
Total Liabilities and Fund Balances	$ 75,223	$ 230,694	$ 305,917

DEL MAR UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
LCFF Sources:			
Local Sources	$ -	$ 135,126	$ 135,126
Federal Revenue	124,240	-	124,240
Other State Revenue	5,957	-	5,957
Other Local Revenue	83,859	683	84,542
Total Revenues	214,056	135,809	349,865
Expenditures:			
Pupil Services	213,759	-	213,759
Plant Services	-	309,268	309,268
Total Expenditures	213,759	309,268	523,027
Excess (Deficiency) of Revenues Over (Under) Expenditures	297	(173,459)	(173,162)
Net Change in Fund Balance	297	(173,459)	(173,162)
Fund Balance, July 1	38,953	385,001	423,954
Fund Balance, June 30	$ 39,250	$ 211,542	$ 250,792

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 380,023	$ 917,814	$ 1,297,837
Accounts Receivable	9,143	1,319	10,462
Total Assets	389,166	919,133	1,308,299
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 697	$ 32,811	$ 33,508
Due to Other Funds	-	5,375	5,375
Total Liabilities	697	38,186	38,883
Fund Balance:			
Assigned Fund Balances	388,469	880,947	1,269,416
Total Fund Balance	388,469	880,947	1,269,416
Total Liabilities and Fund Balances	$ 389,166	$ 919,133	$ 1,308,299

DEL MAR UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	$ 163,726	$ 16,104	$ 179,830
Total Revenues	163,726	16,104	179,830
Expenditures:			
Current Expenditures			
General Administration	1,059	-	1,059
Capital Outlay	380,459	1,051,715	1,432,174
Total Expenditures	381,518	1,051,715	1,433,233
Excess (Deficiency) of Revenues Over (Under) Expenditures	(217,792)	(1,035,611)	(1,253,403)
Net Change in Fund Balance	(217,792)	(1,035,611)	(1,253,403)
Fund Balance, July 1	606,261	1,916,558	2,522,819
Fund Balance, June 30	$ 388,469	$ 880,947	$ 1,269,416

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

DEL MAR UNION SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2016

The Del Mar Union School District was established in 1906 and became a Union District in 1949. There were no changes in the boundaries of the district during the current fiscal year. The district is currently operating eight elementary schools.

Governing Board

Name	Office	Term and Term Expiration
Doug Rafner	President	Four year term Expires December 2018
Kristin Gibson	Clerk	Four year term Expires December 2018
Darren Gretler	Member	One year term Expires December 2016
Erica Halpern	Member	One year term Expires December 2016
Scott Wooden, Ph.D.	Member	Four year term Expires December 2018

Administration

Holly McClurg, Ph.D.
Superintendent

Shelley Petersen
Assistant Superintendent
Curriculum & Instruction

Jason Romero
Assistant Superintendent
Human Resources

Catherine Birks
Assistant Superintendent
Business Services

DEL MAR UNION SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2016

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,214.84	N/A	2,218.94	N/A
Extended Year Special Education	5.55	N/A	5.55	N/A
Nonpublic, Nonsectarian Schools	0.33	N/A	0.51	N/A
Extended Year-Nonpublic	0.14	N/A	0.14	N/A
TK/K-3 Totals	2,220.86	N/A	2,225.14	N/A
Grades 4-6:				
Regular ADA	1,991.11	N/A	1,994.07	N/A
Extended Year Special Education	1.31	N/A	1.31	N/A
Nonpublic, Nonsectarian Schools	2.92	N/A	2.93	N/A
Extended Year-Nonpublic	0.26	N/A	0.26	N/A
Grades 4-6 Totals	1,995.60	N/A	1,998.57	N/A
ADA totals	4,216.46	N/A	4,223.71	N/A

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

Average daily attendance is a measurement of the number of pupils attending classes of the district. 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.

Grade Level	Ed. Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	54,950	180	-	Complied
Kindergarten	36,000	54,780	180	-	Complied
Grade 1	50,400	54,780	180	-	Complied
Grade 2	50,400	54,780	180	-	Complied
Grade 3	50,400	54,780	180	-	Complied
Grade 4	54,000	54,780	180	-	Complied
Grade 5	54,000	54,780	180	-	Complied
Grade 6	54,000	54,780	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

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

DEL MAR UNION SCHOOL DISTRICT

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2016

General Fund	Budget 2017 (Note 1)	2016 (Note 4)	2015 (Note 4)	2014
Revenues and other financial sources	$ 52,746,977	$ 52,905,341	$ 46,919,204	$ 46,055,845
Expenditures, other uses and transfers out	52,746,977	52,426,631	47,509,394	45,105,315
Change in fund balance (deficit)	-	478,710	(590,190)	950,530
Ending fund balance	$ 11,340,803	$ 11,340,803	$ 10,862,093	$ 11,452,283
Available reserves (Note 2)	$ 11,296,208	$ 11,178,673	$ 10,518,840	$ 10,679,425
Available reserves as a percentage of total outgo (Note 3)	21.4%	22.0%	22.8%	24.3%
Total long-term debt	$ 95,526,973	$ 96,398,005	$ 89,485,240	$ 31,255,231
Average daily attendance at P-2	4,223	4,216	4,271	4,249

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 fund balance of the general fund has decreased by $111,480 (0.97%) over the past two years. The fiscal year 2016-17 budget projects no increase or decrease. For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by $65,142,774 over the past two years.

Average daily attendance has decreased by 33 over the past two years.

Notes:

1 Budget 2017 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all assigned fund balances, all unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.

3 On behalf payments of $1,649,341, $1,318,857, and $1,147,293 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014.

4 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 and June 30, 2016 include net pension liabilities which were not previously accounted for. As such, total long term debt for the years ended June 30, 2015 and June 30, 2016 are not comparable to previous years represented in this table.

DEL MAR UNION SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

	General Fund	Enterprise Fund
June 30, 2016, annual financial and budget report fund balances	$ 11,340,803	$ 1,398,317
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
To move state revenue for on behalf payments associated with the enterprise fund into the enterprise fund	(19,736)	19,736
To move CalSTRS expenses from on behalf payments associated with the enterprise fund to the enterprise fund	19,736	(19,736)
To record compensated absences in the enterprise fund	-	(50,686)
To record net OPEB obligation in the enterprise fund	-	(385,828)
To record net pension liability in the enterprise fund	-	(2,713,201)
To record deferred outflows of resources - pension related in the enterprise fund	-	815,738
To record deferred inflows of resources - pension related in the enterprise fund	-	(630,335)
Net adjustments and reclassifications	-	(2,964,312)
June 30, 2016, audited financial statement fund balances	$ 11,340,803	$ (1,565,995)

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.

No charter schools are chartered by Del Mar Union School District.

Charter Schools	Included In Audit?
None	N/A

DEL MAR UNION SCHOOL DISTRICT

TABLE D-6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
Child Nutrition: NSL Section 4	10.555	13391	$ -	$ 53,959
Child Nutrition: NSL Section 11	10.555	13396	-	70,282
Total Passed Through State Department of Education			-	124,241
Total U. S. Department of Agriculture			-	124,241
Total Child Nutrition Cluster			-	124,241
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
Special Education: IDEA	84.027	13379	-	787,054
Special Education: Preschool Local	84.027	13682	-	70,869
Special Education: IDEA Mental Health	84.027	14468	-	49,592
Special Education: IDEA Preschool Staff Development	84.173	13430	-	396
Special Education: Preschool Grants	84.173	13430	-	35,962
Total Passed Through State Department of Education			-	943,873
Total U. S. Department of Education			-	943,873
Total Special Education (IDEA) Cluster			-	943,873
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Title III Limited English Proficiency	84.365	10084	-	41,328
Title III Immigrant	84.365	14346	-	45,716
Title II Teacher Quality	84.367	14341	-	30,675
Total Passed Through State Department of Education			-	117,719
Total U. S. Department of Education			-	117,719
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 1,185,833

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Del Mar Union 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 7.44% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title III Limited English Proficiency	84.365	2.00%

Other Independent Auditor's Reports

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

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
Del Mar Union School District
San Diego, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Del Mar Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Del Mar Union School District's basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Del Mar Union 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 the Del Mar Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Del Mar Union School District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Del Mar Union 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 item(s) 2016-001 and 2016-002.

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Del Mar Union School District's Response to Findings

Del Mar Union School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Del Mar Union 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
December 8, 2016

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Del Mar Union School District
San Diego, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Del Mar Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Del Mar Union School District's major federal programs for the year ended June 30, 2016. Del Mar Union 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Del Mar Union 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Del Mar Union 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 the Del Mar Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Del Mar Union 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 major federal programs for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

Management of the Del Mar Union 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 the Del Mar Union 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 the Uniform Guidance, 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 the Del Mar Union 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. 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.

Our consideration of 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 material weaknesses or significant deficiences. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 8, 2016

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on State Compliance

Board of Trustees
Del Mar Union School District
San Diego, 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 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, 2016.

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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810. 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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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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:

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	Yes
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	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, Del Mar Union 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002.

Del Mar Union School District's Response to Findings

Del Mar Union School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Del Mar Union 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 compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 8, 2016

Findings and Recommendations Section

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?		Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	None Report
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?		Yes	X	None Report
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	X	Yes		No
Type of auditor's report issued on compliance for state programs:	Unmodified			

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2016-001 (40000)
Unduplicated Pupil Counts

Criteria or Specific Requirement
Verify that students reported as eligible under only free or reduced priced meal (FRPM) on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" is supported by documentation that indicates the student was eligible for the designation, such as a FRPM eligibility application under federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or county office of education that matches enrolled students against those children/households receiving CalFresh (or CalWORKs) benefits.

Condition
In our review of students reported on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" we identified one student out of six tested, as designated eligible under FRPM only, that was incorrectly designated on the report as FRPM. There were no errors found in the remaining 45 tested that were designated as FRPM and EL or EL Only.

Questioned Costs
$3,379 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts after extrapolation of errors.

Audit adjustments to the counts are as follows:

	Funded Under LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	4,334	0	4,334
Free & Reduced Meal Program (FRPM)	79	-14	65
English Learners (ELAS)	337	0	337
Both FRPM & ELAS	22	0	22
Other Funded (Direct Certifications, etc.)	72	0	72
Total	510	-14	496

Context
Supplemental and concentration grant amounts (as part of the LCFF Funding) are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

1) Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).

2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Effect
Supplemental and Concentration grants were over funded based on the additional students included in the unduplicated pupil counts.

Cause
The District did not have an end date for students eligible under the FRPM program at the end of the 2014-15 fiscal year. As a result, the CalPADS software automatically counted students without an end date regardless of actual eligibility in the 2015-16 fiscal year. There were some students who retained the same eligibility, and other student's for which eligibility changed between the two fiscal years. The District's counts were overstated for the students who's eligibility status changed between the two fiscal years.

Recommendation
Implement a process to ensure that all students eligible in the FRPM program have an end date entered into the CalPADS system at the end of each fiscal year to ensure data being reported is based on the correct fiscal year eligibility.

LEA's Response
The Del Mar Union School District will implement a process to ensure all students eligible in the FRPM program have an end date entered into CalPADS system at the end of each fiscal year.

Finding 2016-002 (70000)
Instructional Materials

Criteria or Specific Requirement
Determine whether the school district governing board or county board of education provided 10-day notice of the required public hearing or hearings in relation to the public hearing or hearings to determine the sufficiency of instructional materials.

Condition
In our review of the public hearing held by the District to determine the sufficiency of textbooks and instructional materials, we noted that the notice of public hearing was posted only 6 days in advance of the hearing.

Questioned Costs
None, there is no longer funding connected with this compliance requirement.

Context
Education Code Section 60119(b) requires that the governing board of a local education agency hold a public hearing or hearings at which the governing board encourages the participation of parents, teachers, members of the community, and bargaining unit leaders as to whether each pupil in each school has sufficient textbooks or instructional materials, or both that are aligned to the content standards adopted pursuant to Section 60605. A notice of public hearing must be posted 10 days in advance in 3 public locations.

Cause
The District misunderstood the requirement to post the notice of public hearing 10 days in advance.

Effect
The District was not in compliance with Education Code Section 60119(b).

Recommendation
Implement procedures to ensure the notice of public hearing for the sufficiency of instructional materials is posted 10 days in advance.

LEA's Response
The Del Mar Union School District will implement procedures to ensure the notice of public hearing for the sufficiency of instructional materials is posted 10 days in advance. Procedures will include using an outlook calendar notification for the Business Services and Instructional Services departments and will also be included on the Governance Calendar maintained by the Executive Assistant to the Superintendent.

DEL MAR UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2015-001 (40000) Kindergarten Continuance In review of kindergarten students at Ocean Air Elementary School, we identified one kindergarten student who continued into kindergarten for a second year but did not have a kindergarten continuation form approved in form and content by the California Department of Education as described in Education Code Section 48011. We recommended the District implement procedures to obtain kindergarten continuation forms for students that are transferring from other school districts and will be continuing in kindergarten for a second year.	Implemented	
Finding 2015-002 (72000) School Accountability Report Card The facility condition information on the School Accountability Report Card for Ocean Air School was not consistent with the Facility Inspection Tool prepared by the Director of Facilities for the School. We recommended the District implement review procedures to ensure accurate information is being reported on School Accountability Report Cards.	Implemented	

DEL MAR UNION SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
2016	001	Finding:	Unduplicated Pupil Counts were overstated in the FRPM Only category of eligibility.	
		Questioned Costs:	CFDA # N/A	Amount $3,379
		Status:	In Progress	
		Corrective Action:	The District is implementing procedures to ensure an end date is entered into the CalPADS system for all FRPM eligible students at the end of each fiscal year.	
		Completion Date:	In Progress as of December 8, 2016	
2016	002	Finding:	Public hearning notice for sufficiency of instructional materials was not posted 10 days in advance.	
		Questioned Costs:	CFDA # N/A	Amount None
		Status:	Implemented	
		Corrective Action:	The District is using an outlook calendar notification for the Business Services and Instructional Services departments to ensure the notice is posted 10 days in advance.	
		Completion Date:	October 2016	