

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

AUDIT REPORT

JUNE 30, 2017

Introductory Section

Del Mar Union School District
 Audit Report
 For The Year Ended June 30, 2017

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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, 2017, 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 from 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, 2017, 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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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 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, *2016-17 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 14, 2017 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 14, 2017

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

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, 2017. 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 2016-2017 are as follows:

- Total net position (including Business Type Activities) for the District are \$61,106,342.

- Outstanding Capital Lease-Purchase Debt decreased from \$491,874 to \$376,019 during 2016-2017.

- The District's annual average daily attendance is 4,312.62 in 2016-2017.

- Property tax revenue increased by 7.9% in 2016-2017 over 2015-2016.

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.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

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.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

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 Childhood/After School programs. All of the Early Childhood/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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The district's net position was \$61,106,342 as of June 30, 2017. 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.

**Table A-1
Statement of Net Position for Years Ended**

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>% Change</u>
Assets				
Cash	\$ 25,160,948	\$ 24,582,162	\$ (578,786)	\$ -2.30%
Receivables	1,705,396	760,955	(944,441)	-55.38%
Prepaid Expenses	119,701	142,776	23,075	19.28%
Capital Assets:				
Land	36,813,151	36,813,151	-	0.00%
Site Improvements	3,324,510	3,324,510	-	0.00%
Buildings	104,496,164	104,938,105	441,941	0.42%
Equipment	3,639,928	3,663,273	23,345	0.64%
Work in Progress	114,424	-	(114,424)	-100.00%
Less Accumulated Depreciation	<u>(32,849,705)</u>	<u>(35,606,532)</u>	<u>(2,756,827)</u>	<u>8.39%</u>
Total Assets	<u>142,524,517</u>	<u>138,618,400</u>	<u>(3,906,117)</u>	<u>-2.74%</u>
Deferred Outflows of Resources	<u>7,279,770</u>	<u>10,349,221</u>	<u>3,069,451</u>	<u>42.16%</u>
Liabilities				
Accounts Payable & Other Current Liabilities	1,517,646	1,502,586	(15,060)	-0.99%
Unearned Revenue	1,519,959	330,427	(1,189,532)	-78.26%
Long Term Liabilities:				
Due Within One Year	1,184,223	1,245,428	61,205	5.17%
Due in More Than One Year	<u>73,677,933</u>	<u>81,190,839</u>	<u>7,512,906</u>	<u>10.20%</u>
Total Liabilities	<u>77,899,761</u>	<u>84,269,280</u>	<u>6,369,519</u>	<u>8.18%</u>
Deferred Inflows of Resources	<u>2,880,148</u>	<u>3,591,999</u>	<u>711,851</u>	<u>24.72%</u>
Net Position				
Net Investment in Capital Assets:	92,929,152	95,299,900	2,370,748	2.55%
Restricted For:				
Capital Projects	10,341,409	10,038,445	(302,964)	-2.93%
Educational Purposes	19,595	12,697	(6,898)	-35.20%
Other Purposes (expendable)	39,250	5,462	(33,788)	-86.08%
Other Purposes (nonexpendable)	142,535	161,666	19,131	13.42%
Unrestricted	<u>(34,447,563)</u>	<u>(44,411,828)</u>	<u>(9,964,265)</u>	<u>28.93%</u>
Total Net Position	<u>\$ 69,024,378</u>	<u>\$ 61,106,342</u>	<u>\$ (7,918,036)</u>	<u>\$ -11.47%</u>

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

Governmental and Business Type 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 from the District's governmental and business type activities were \$63,882,166 (see Table A-2) while expenditures were \$71,800,202 (see Table A-3). The change in net position from the District's governmental and business type activities was \$(7,918,036) (see Table A-4).

**Table A-2
Revenue for Governmental & Business Type Activities**

	<u>2015-16</u>	<u>2016-17</u>	<u>Change</u>	<u>% Change</u>
Governmental Activities				
Program Revenue	\$ 7,737,290	\$ 6,935,638	\$ (801,652)	-10.36%
General Revenue	<u>49,880,755</u>	<u>52,705,146</u>	<u>2,824,391</u>	<u>5.66%</u>
Total Governmental Revenue	<u>57,618,045</u>	<u>59,640,784</u>	<u>2,022,739</u>	<u>3.51%</u>
Business Type Activities				
Program Revenue	4,074,776	4,233,773	158,997	3.90%
General Revenue	<u>17,489</u>	<u>7,609</u>	<u>(9,880)</u>	<u>-56.49%</u>
Total Business Type Revenue	<u>4,092,265</u>	<u>4,241,382</u>	<u>149,117</u>	<u>3.64%</u>
Total Revenue	<u>\$ 61,710,310</u>	<u>\$ 63,882,166</u>	<u>\$ 2,171,856</u>	<u>3.52%</u>

The primary sources of general revenue are federal and state revenue and local property taxes and represent approximately 99.5% of general revenues. The remaining .5% 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 programs operated by the District.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

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**

	<u>2015-16</u>	<u>2016-17</u>	<u>Change</u>	<u>% Change</u>
Governmental Activities				
Instruction	\$ 42,179,383	\$ 47,771,438	\$ 5,592,055	13.26%
Instruction Related Services	4,840,664	5,247,452	406,788	8.40%
Pupil Services	2,537,827	3,613,145	1,075,318	42.37%
General Administration	3,744,450	3,995,576	251,126	6.71%
Plant Services	5,471,634	5,309,907	(161,727)	-2.96%
Community Services	-	6,000	6,000	0.00%
Interest on Long Term Debt	1,121,699	1,081,419	(40,280)	-3.59%
Other Outgo	70,014	73,660	3,646	5.21%
Depreciation (Unallocated)	410,923	-	(410,923)	-100.00%
Total Governmental Expenditures	<u>60,376,594</u>	<u>67,098,597</u>	<u>6,722,003</u>	<u>11.13%</u>
Business Type Activities				
Enterprise Activities	<u>4,350,256</u>	<u>4,701,605</u>	<u>351,349</u>	<u>8.08%</u>
Total Expenditures	<u>\$ 64,726,850</u>	<u>\$ 71,800,202</u>	<u>\$ 7,073,352</u>	<u>10.93%</u>

The table below shows the change in net position for governmental and business type activities.

**Table A-4
Change in Net Position for Governmental and Business Type Activities**

	<u>2015-16</u>	<u>2016-17</u>	<u>Change</u>	<u>% Change</u>
Governmental Funds				
Governmental Revenue	\$ 57,618,045	\$ 59,640,784	\$ 2,022,739	3.51%
Governmental Expenditures	<u>60,376,594</u>	<u>67,098,597</u>	<u>6722003</u>	<u>11.13%</u>
Change in Net Position for Governmental Activities	<u>(2,758,549)</u>	<u>(7,457,813)</u>	<u>(4,699,264)</u>	<u>170.35%</u>
Business Type Activities				
Business Type Revenue	4,092,265	4,241,382	149117	3.64%
Business Type Expenditures	<u>4,350,256</u>	<u>4,701,605</u>	<u>351349</u>	<u>8.08%</u>
Change in Net Position for Business Type Activities	<u>(257,991)</u>	<u>(460,223)</u>	<u>(202,232)</u>	<u>78.39%</u>
Total Change in Net Position	<u>\$ (3,016,540)</u>	<u>\$ (7,918,036)</u>	<u>\$ (4,901,496)</u>	<u>162.49%</u>

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

FINANCIAL ANALYSIS 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 \$22 million. Below in Table A-5 is a list of all the various District funds balances at the end of the 2015-2016 and 2016-2017 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-5
Ending Fund Balances by Type**

	<u>2015-16</u>	<u>2016-17</u>	<u>Change</u>	<u>% Change</u>
Governmental Funds				
General Fund	\$ 11,340,803	\$ 11,186,133	\$ (154,670)	-1.36%
Cafeteria Fund	39,250	5,462	(33,788)	-86.08%
Deferred Maintenance Fund	211,542	348,203	136,661	64.60%
Capital Facilities Fund	388,469	449,621	61,152	15.74%
Special Reserve Fund - Capital Projects	880,947	588,659	(292,288)	-33.18%
Capital Project Fund For CFDs	9,952,940	9,960,546	7,606	0.08%
Total Governmental Funds	<u>22,813,951</u>	<u>22,538,624</u>	<u>(275,327)</u>	<u>-1.21%</u>
Proprietary Funds				
Enterprise Fund	<u>1,043,439</u>	<u>583,216</u>	<u>(460,223)</u>	<u>-44.11%</u>
Fiduciary Funds				
Foundation Trust Fund	<u>32,161</u>	<u>32,492</u>	<u>331</u>	<u>1.03%</u>
Total All Funds	<u>\$ 23,889,551</u>	<u>\$ 23,154,332</u>	<u>\$ (735,219)</u>	<u>-3.08%</u>

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

Long-Term Debt

At year end, the District had over \$82 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-6 below. Additional information regarding the long-term liabilities is presented in the notes to the financial statements.

**Table A-6
Outstanding Long-Term Debt**

	<u>2015-16</u>	<u>2016-17</u>	<u>Change</u>	<u>% Change</u>
Governmental Activities				
Special Tax Bonds	\$ 22,385,855	\$ 20,021,057	\$ (2,364,798)	-10.56%
Capital Leases	491,875	376,019	(115,856)	-23.55%
Net OPEB Obligation	4,552,837	5,413,052	860,215	18.89%
Net Pension Liability	44,019,368	51,847,631	7,828,263	17.78%
Compensated Absences	262,505	280,862	18,357	6.99%
Total Governmental Activities	<u>71,712,440</u>	<u>77,938,621</u>	<u>6,226,181</u>	<u>8.68%</u>
Business Type Activities				
Net OPEB Obligation	385,828	444,526	58,698	15.21%
Net Pension Liability	2,713,202	3,994,169	1,280,967	47.21%
Compensated Absences	50,686	58,951	8,265	16.31%
Total Business Type Activities	<u>3,149,716</u>	<u>4,497,646</u>	<u>1,347,930</u>	<u>42.80%</u>
Total Long Term Debt	<u>\$ 74,862,156</u>	<u>\$ 82,436,267</u>	<u>\$ 7,574,111</u>	<u>10.12%</u>

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

CFD 95-1

On June 14, 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.

Based on the prepayment of Special Taxes within CFD 99-01 and the redemption terms outlined in the Fiscal Agent Agreement the District requested a bond call of \$1,690,000 as of September 1, 2016.

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.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2017
(Unaudited)**

Capital Assets

At the end of the fiscal year 2016-2017, the District had \$148,739,039 invested in land, land improvements, buildings and equipment. After accumulated depreciation of \$35,606,532 is applied, the value of net capital assets is \$113,132,507.

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.

DEL MAR UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash	\$ 22,687,594	\$ 1,894,568	\$ 24,582,162	\$ 73,077
Receivables	746,581	14,374	760,955	-
Internal Balances	178,001	(178,001)	-	-
Prepaid Expenses	136,666	6,110	142,776	-
Capital Assets:				
Land	36,813,151	-	36,813,151	-
Improvements	3,324,510	-	3,324,510	-
Buildings	102,149,156	2,788,949	104,938,105	-
Equipment	3,663,273	-	3,663,273	-
Less Accumulated Depreciation	(35,343,133)	(263,399)	(35,606,532)	-
Total Assets	<u>134,355,799</u>	<u>4,262,601</u>	<u>138,618,400</u>	<u>73,077</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>8,793,912</u>	<u>1,555,309</u>	<u>10,349,221</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,397,795	104,791	1,502,586	2,234
Unearned Revenue	132,393	198,034	330,427	-
Long-Term Liabilities:				
Due Within One Year	1,186,477	58,951	1,245,428	-
Due in More Than One Year	76,752,144	4,438,695	81,190,839	-
Total Liabilities	<u>79,468,809</u>	<u>4,800,471</u>	<u>84,269,280</u>	<u>2,234</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,157,776</u>	<u>434,223</u>	<u>3,591,999</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	92,774,350	2,525,550	95,299,900	-
Restricted for:				
Capital Projects	10,038,445	-	10,038,445	-
Educational Programs	12,697	-	12,697	-
Other Purposes (Expendable)	5,462	-	5,462	-
Other Purposes (Nonexpendable)	161,666	-	161,666	-
Unrestricted	(42,469,494)	(1,942,334)	(44,411,828)	70,843
Total Net Position	<u>\$ 60,523,126</u>	<u>\$ 583,216</u>	<u>\$ 61,106,342</u>	<u>\$ 70,843</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
Instruction	\$ 47,771,438	\$ 80,901	\$ 5,138,903	\$ -	\$ (42,551,634)	\$ -	\$ (42,551,634)	\$ -
Instruction-Related Services:								
Instructional Supervision and Administration	1,827,463	5,981	264,591	-	(1,556,891)	-	(1,556,891)	-
Instructional Library, Media and Technology	243,126	-	-	-	(243,126)	-	(243,126)	-
School Site Administration	3,176,863	-	88,361	-	(3,088,502)	-	(3,088,502)	-
Pupil Services:								
Home-to-School Transportation	695,522	-	-	-	(695,522)	-	(695,522)	-
Food Services	1,029,623	799,186	177,084	-	(53,353)	-	(53,353)	-
All Other Pupil Services	1,888,000	4,142	140,163	-	(1,743,695)	-	(1,743,695)	-
General Administration:								
Centralized Data Processing	1,248,482	-	10,870	-	(1,237,612)	-	(1,237,612)	-
All Other General Administration	2,747,094	-	41,488	-	(2,705,606)	-	(2,705,606)	-
Plant Services	5,309,907	-	4,268	-	(5,305,639)	-	(5,305,639)	-
Community Services	6,000	-	-	-	(6,000)	-	(6,000)	-
Interest on Long-Term Debt	1,081,419	-	-	-	(1,081,419)	-	(1,081,419)	-
Other Outgo - Transfer of Tuition	73,660	779	178,921	-	106,040	-	106,040	-
Business-Type Activities								
Enterprise Activities	4,701,605	4,233,773	-	-	-	(467,832)	(467,832)	-
Component Unit								
Donations to District	1,236,000	-	-	-	-	-	-	(1,236,000)
Support Services	76,375	-	-	-	-	-	-	(76,375)
Total Expenses	\$ 73,112,577	\$ 5,124,762	\$ 6,044,649	\$ -	\$ (60,162,959)	\$ (467,832)	\$ (60,630,791)	\$ (1,312,375)
General Revenues:								
Taxes and Subventions:								
Taxes Levied for General Purposes					42,981,724	-	42,981,724	-
Taxes Levied for Other Specific Purposes					3,509,978	-	3,509,978	-
Federal and State Aid Not Restricted to Specific Programs					3,705,741	16,173	3,721,914	-
Interest and Investment Earnings					151,541	12,436	163,977	87
Interagency revenue					74,497	-	74,497	-
Miscellaneous					2,260,665	-	2,260,665	-
Internal Transfers					21,000	(21,000)	-	-
Net Fundraising Revenue					-	-	-	1,315,052
Total General Revenues					\$ 52,705,146	\$ 7,609	\$ 52,712,755	\$ 1,315,139
Change in Net Position					(7,457,813)	(460,223)	(7,918,036)	2,764
Net Position Beginning (As Restated - See Note Q)					67,980,939	1,043,439	69,024,378	68,079
Net Position Ending					\$ 60,523,126	\$ 583,216	\$ 61,106,342	\$ 70,843

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2017

	General Fund	Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 11,184,404	\$ 9,647,490	\$ 1,248,377	\$ 22,080,271
Cash on Hand and in Banks	285,866	-	-	285,866
Cash in Revolving Fund	25,000	-	-	25,000
Cash with a Fiscal Agent/Trustee	-	296,457	-	296,457
Accounts Receivable	674,668	27,722	44,191	746,581
Due from Other Funds	193,791	-	135,191	328,982
Prepaid Expenditures	136,666	-	-	136,666
Total Assets	<u>12,500,395</u>	<u>9,971,669</u>	<u>1,427,759</u>	<u>23,899,823</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 1,062,728	\$ 11,123	\$ 3,975	\$ 1,077,826
Due to Other Funds	150,653	-	327	150,980
Unearned Revenue	100,881	-	31,512	132,393
Total Liabilities	<u>1,314,262</u>	<u>11,123</u>	<u>35,814</u>	<u>1,361,199</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	25,000	-	-	25,000
Prepaid Items	136,666	-	-	136,666
Restricted Fund Balances	90,596	9,960,546	5,462	10,056,604
Committed Fund Balances	-	-	348,203	348,203
Assigned Fund Balances	1,009,494	-	1,038,280	2,047,774
Unassigned:				
Reserve for Economic Uncertainty	1,654,063	-	-	1,654,063
Other Unassigned	8,270,314	-	-	8,270,314
Total Fund Balance	<u>11,186,133</u>	<u>9,960,546</u>	<u>1,391,945</u>	<u>22,538,624</u>
Total Liabilities and Fund Balances	<u>\$ 12,500,395</u>	<u>\$ 9,971,669</u>	<u>\$ 1,427,759</u>	<u>\$ 23,899,823</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total fund balances, governmental funds \$ 22,538,624

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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	145,950,090	
Accumulated depreciation	(35,343,133)	
Net:		110,606,957

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: (319,970)

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	20,021,057	
Net Pension Liability	51,847,631	
Net OPEB Obligation	5,413,052	
Compensated Absences Payable	280,862	
Capital Leases Payable	376,019	
Total		(77,938,621)

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: 256,740

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	8,537,172	
Deferred inflows of resources relating to pensions	(3,157,776)	

Net position of governmental activities - statement of net position \$ 60,523,126

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, 2017

	General Fund	Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,163,666	\$ -	\$ -	\$ 1,163,666
Education Protection Account Funds	861,468	-	-	861,468
Local Sources	42,846,598	-	135,126	42,981,724
Federal Revenue	1,151,843	-	167,733	1,319,576
Other State Revenue	4,485,205	-	8,630	4,493,835
Other Local Revenue	4,234,180	3,678,377	886,955	8,799,512
Total Revenues	<u>54,742,960</u>	<u>3,678,377</u>	<u>1,198,444</u>	<u>59,619,781</u>
Expenditures:				
Current:				
Instruction	39,911,448	-	-	39,911,448
Instruction - Related Services	4,557,292	-	-	4,557,292
Pupil Services	2,339,551	-	1,010,058	3,349,609
General Administration	3,236,642	-	17,491	3,254,133
Plant Services	4,679,629	102,777	55,527	4,837,933
Other Outgo	73,660	-	-	73,660
Capital Outlay	69,324	76,950	243,632	389,906
Debt Service:				
Principal	243,638	-	2,430,700	2,674,338
Interest	8,061	-	990,344	998,405
Total Expenditures	<u>55,119,245</u>	<u>179,727</u>	<u>4,747,752</u>	<u>60,046,724</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(376,285)</u>	<u>3,498,650</u>	<u>(3,549,308)</u>	<u>(426,943)</u>
Other Financing Sources (Uses):				
Transfers In	91,000	-	3,421,044	3,512,044
Transfers Out	-	(3,491,044)	-	(3,491,044)
Other Sources	130,615	-	-	130,615
Total Other Financing Sources (Uses)	<u>221,615</u>	<u>(3,491,044)</u>	<u>3,421,044</u>	<u>151,615</u>
Net Change in Fund Balance	(154,670)	7,606	(128,264)	(275,328)
Fund Balance, July 1	11,340,803	9,952,940	1,520,209	22,813,952
Fund Balance, June 30	<u>\$ 11,186,133</u>	<u>\$ 9,960,546</u>	<u>\$ 1,391,945</u>	<u>\$ 22,538,624</u>

The accompanying notes are an integral part of this statement.

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, 2017

Total change in fund balances, governmental funds \$ (275,328)

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	389,907	
Depreciation Expense	<u>(2,697,923)</u>	
Net		(2,308,016)

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: (130,615)

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: 2,626,470

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: (56,138)

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: (18,357)

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: (26,872)

Cost write-off for canceled capital projects: If a planned capital project is cancelled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were: (14,065)

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: (6,394,677)

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:

(860,215)

Change in net position of governmental activities - statement of activities

\$ (7,457,813)

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUND

JUNE 30, 2017

	Enterprise Fund
	<u>Enterprise Fund</u>
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 1,894,568
Accounts Receivable	14,374
Due from Other Funds	15,463
Prepaid Expenses	6,110
Total Current Assets	<u>1,930,515</u>
Noncurrent Assets:	
Fixed Assets	
Buildings and Improvements	2,788,949
Accumulated Depreciation - Buildings	(263,399)
Total Noncurrent Assets	<u>2,525,550</u>
Total Assets	<u>4,456,065</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension Related	1,555,309
Total Outflows of Resources	<u>\$ 1,555,309</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 104,791
Due to Other Funds	193,464
Unearned Revenue	198,034
Total Current Liabilities	<u>496,289</u>
Noncurrent Liabilities:	
Net Pension Liability	3,994,169
Other Postemployment Benefits	444,526
Compensated Absences Payable	58,951
Total Noncurrent Liabilities	<u>4,497,646</u>
Total Liabilities	<u>4,993,935</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension Related	434,223
Total Inflows of Resources	<u>434,223</u>
NET POSITION:	
Net Investment in Capital Assets	2,525,550
Unrestricted (Deficit)	(1,942,334)
Total Net Position	<u>\$ 583,216</u>

DEL MAR UNION SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Fund
	<u>Enterprise Fund</u>
Operating Revenues:	
State Revenue	\$ 16,173
Local Revenue	4,246,209
Total Revenues	<u>4,262,382</u>
Operating Expenses:	
Certificated Personnel Salaries	213,096
Classified Personnel Salaries	2,588,977
Employee Benefits	1,159,665
Books and Supplies	254,022
Services and Other Operating Expenses	401,961
Capital Outlay	83,884
Total Expenses	<u>4,701,605</u>
Income (Loss) before Contributions and Transfers	(439,223)
Interfund Transfers Out	(21,000)
Change in Net Position	<u>(460,223)</u>
Total Net Position - Beginning (As Restated - See Note Q)	1,043,439
Total Net Position - Ending	<u>\$ 583,216</u>

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, 2017

	Enterprise Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 4,257,051
Cash Payments to Employees for Services	(3,721,489)
Cash Payments to Other Suppliers for Goods and Services	(359,618)
Net Cash Provided (Used) by Operating Activities	<u>175,944</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	10,573
Net Cash Provided (Used) for Investing Activities	<u>10,573</u>
Net Increase (Decrease) in Cash and Cash Equivalents	186,517
Cash and Cash Equivalents at Beginning of Year	1,708,051
Cash and Cash Equivalents at End of Year	<u>\$ 1,894,568</u>
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (460,223)
Depreciation Expense	83,884
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(6,404)
Decrease (Increase) in Due From	(15,463)
Decrease (Increase) in Prepaid Expenses	(3,944)
Decrease (Increase) in Deferred Outflows of Resources	(739,571)
Increase (Decrease) in Accounts Payable	51,418
Increase (Decrease) in Due To	97,893
Increase (Decrease) in Unearned Revenue	27,109
Increase (Decrease) in Net Pension Liability	1,280,967
Increase (Decrease) in Net OPEB Liability	58,698
Increase (Decrease) in Compensated Absences Payable	8,265
Increase (Decrease) in Deferred Inflows of Resources	(196,112)
Total Adjustments	<u>562,856</u>
Net Cash Provided (Used) by Operating & Investing Activities	<u>\$ 186,517</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

Private-purpose
Trust
Funds

Foundation
Private-Purpose
Trust Fund

ASSETS:

Cash in County Treasury
Accounts Receivable
Total Assets

\$		32,395	
		97	
		<u>32,492</u>	

LIABILITIES:

Total Liabilities

		-	
		<u>-</u>	

NET POSITION:

Held in Trust
Total Net Position

\$		32,492	
\$		<u>32,492</u>	

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Foundation Private- Purpose Trust
Additions:	
Investment Income	\$ 331
Total Additions	<u>331</u>
Deductions:	
Administrative Expenses	-
Total Deductions	<u>-</u>
Change in Net Position	331
Net Position-Beginning of the Year	32,161
Net Position-End of the Year	<u>\$ 32,492</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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 Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Del Mar Schools Community Facilities Districts

The District and the Del Mar Schools Community Facilities Districts (the CFD) have a financial and operational relationship which meet the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the CFD as a component unit of the District. Therefore, the financial activities of the CFD have been included in the basic financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District and the CFD which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

a. Manifestations of Oversight

The CFD does not have a Board of Directors. The District's Board of Directors has authority and responsibility over all activities of the CFD.

The CFD has no employees. The District's Superintendent and Assistant Superintendent of Business Services function as agents of the CFD. Neither individual received additional compensation for work performed in this capacity.

The District exercises significant influence over operations of the CFD as it is anticipated that the District will be the sole lessee of all facilities owned by the CFD.

b. Accounting and Fiscal Matters

All major financing arrangements, contracts, and other transactions of the CFD must have the consent of the District.

The District will assume a "moral obligation", and potentially a legal obligation, for any debt incurred by the CFD.

c. Scope of Public Service and Financial Presentation

The CFD was created for the sole purpose of financially assisting the District.

The CFD was created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority, pursuant to California Government Code, commencing with Section 6500. The CFD was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all CFD facilities.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The CFD's financial activity is presented in the financial statements in the Capital Projects Fund for Blended Component Units.

Del Mar Schools Education Foundation

The Del Mar Schools Education Foundation (the Foundation) has a financial and operational relationship which meets the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Foundation as a component unit of the District. Therefore, the financial activities of the Foundation have been included in the basic financial statements of the District as a discretely presented component unit.

The Del Mar Schools Education Foundation (the Foundation), a California non-profit public benefit corporation, has created a permanent endowment fund that is used to support and enrich the educational programs provided to the students in the District. Distributions from the Foundation to the District during the fiscal year ending June 30, 2017 were \$1,236,000 which is equal to 2.26% of the District's general fund revenue.

The following are those aspects of the relationship between the District and the Foundation which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 criteria:

a. Nature and Significance of Relationship

The economic resources received or held by the Foundation are entirely for the direct benefit of the District.

The District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the Foundation.

The economic resources received or held by the Foundation are significant to the District.

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, business-type activities, and discretely presented component units. 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.

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

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.

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

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

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, property taxes, interest and other local sources.

DEL MAR UNION SCHOOL DISTRICT
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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.

DEL MAR UNION SCHOOL DISTRICT
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Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	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 November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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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 fund.

i. Minimum Fund Balance

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 unassigned 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 position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of 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.

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NOTES TO THE FINANCIAL STATEMENTS
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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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB 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 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 scope of this Statement includes OPEB plans - defined benefit and defined contribution - administered through trusts that meet the following criteria:

DEL MAR UNION SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2017

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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

1. 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.
2. The gross dollar amount of taxes abated during the period
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

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 did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net 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:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 (\$24,007,234 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$24,007,234. 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 (\$285,866 as of June 30, 2017) 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.

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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, 2017 are shown below.

Investment or Investment Type	Maturity	Amount Reported	Fair Value
Blackrock Treasury Funds	<30 Days	\$ 296,457	\$ 296,457
Total Investments		\$ 296,457	\$ 296,457

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

DEL MAR UNION SCHOOL DISTRICT
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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, 2017, the District's cash balances exceeded FDIC limitations by \$102,541. 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2017, are as follows:

	<u>Major Governmental Funds</u>			
	<u>General Fund</u>	<u>Capital Projects Fund For Blended Component Unit</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Federal Government:				
Federal Programs	\$ 32,836	\$ -	\$ 33,767	\$ 66,603
State Government:				
Lottery	405,311	-	-	405,311
Special Education	82,569	-	-	82,569
Other State Programs	11,268	-	1,586	12,854
Local Sources:				
Interest	47,600	27,722	3,620	78,942
Other Local Revenues	95,084	-	5,218	100,302
Total	<u>\$ 674,668</u>	<u>\$ 27,722</u>	<u>\$ 44,191</u>	<u>\$ 746,581</u>
		<u>Foundation Trust Fund</u>	<u>Total Other Funds</u>	
Local Sources:				
Interest	\$ 3,800	\$ 97	\$ 3,897	
Other Local Revenues	10,574	-	10,574	
Total	<u>\$ 14,374</u>	<u>\$ 97</u>	<u>\$ 14,471</u>	

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

E. Capital Assets

Capital asset activity for the year ended June 30, 2017, 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	93,424	-	93,424	-
Total capital assets not being depreciated	<u>36,906,575</u>	<u>-</u>	<u>93,424</u>	<u>36,813,151</u>
Capital assets being depreciated:				
Buildings	101,728,215	420,941	-	102,149,156
Improvements	3,324,510	-	-	3,324,510
Equipment	3,639,928	48,325	24,980	3,663,273
Total capital assets being depreciated	<u>108,692,653</u>	<u>469,266</u>	<u>24,980</u>	<u>109,136,939</u>
Less accumulated depreciation for:				
Buildings	(29,507,161)	(2,283,448)	-	(31,790,609)
Improvements	(1,591,328)	(137,775)	-	(1,729,103)
Equipment	(1,571,701)	(276,700)	(24,980)	(1,823,421)
Total accumulated depreciation	<u>(32,670,190)</u>	<u>(2,697,923)</u>	<u>(24,980)</u>	<u>(35,343,133)</u>
Total capital assets being depreciated, net	<u>76,022,463</u>	<u>(2,228,657)</u>	<u>-</u>	<u>73,793,806</u>
Governmental activities capital assets, net	<u>\$ 112,929,038</u>	<u>\$ (2,228,657)</u>	<u>\$ 93,424</u>	<u>\$ 110,606,957</u>
Business-type activities:				
Capital assets not being depreciated:				
Work in progress	\$ 21,000	\$ -	\$ 21,000	\$ -
Total capital assets not being depreciated	<u>21,000</u>	<u>-</u>	<u>21,000</u>	<u>-</u>
Capital assets being depreciated:				
Buildings	2,767,949	21,000	-	2,788,949
Specify another category here if needed	-	-	-	-
Total capital assets being depreciated	<u>2,767,949</u>	<u>21,000</u>	<u>-</u>	<u>2,788,949</u>
Less accumulated depreciation for:				
Buildings	(179,515)	(83,884)	-	(263,399)
Total accumulated depreciation	<u>(179,515)</u>	<u>(83,884)</u>	<u>-</u>	<u>(263,399)</u>
Total capital assets being depreciated, net	<u>2,588,434</u>	<u>(62,884)</u>	<u>-</u>	<u>2,525,550</u>
Business-type activities capital assets, net	<u>\$ 2,609,434</u>	<u>\$ (62,884)</u>	<u>\$ 21,000</u>	<u>\$ 2,525,550</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Depreciation was charged to functions as follows:

	Governmental Activities	Business Type Activities
Instruction	\$ 2,283,836	\$ -
Instruction-Related Services	73,310	-
Community Services	6,000	-
Enterprise	-	83,884
General Administration	257,520	-
Plant Services	77,257	-
	<u>\$ 2,697,923</u>	<u>\$ 83,884</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Enterprise Fund	\$ 3,056	OPEB expenses
General Fund	Enterprise Fund	190,408	Reimbursement of expenses
General Fund	Nonmajor Govt. Funds	327	Reimbursement of expenses
Enterprise Fund	General Fund	15,528	Reimbursement of expenses
Nonmajor Govt. Funds	General Fund	135,126	Deferred maintenance transfer
	Total	<u>\$ 344,445</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Capital Project Fund	General Fund	\$ 70,000	CFD Administration Fee
Capital Project Fund	Nonmajor Govt. Fund	3,421,044	CFD Debt Service Payments
Enterprise Fund	General Fund	21,000	Reimbursement of Expenses
	Total	<u>\$ 3,512,044</u>	

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

G. Accounts Payable

Accounts payable as of June 30, 2017 are as follows:

	<u>Major Governmental Funds</u>			
	<u>General Fund</u>	<u>Capital Projects Fund For Blended Component Unit</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Vendor payables	\$ 297,818	\$ 11,123	\$ 570	\$ 309,511
Sales tax payable	6,963	-	3	6,966
Pension related liabilities	3,569	-	248	3,817
Payroll and related benefits	754,378	-	3,154	757,532
Total	<u>\$ 1,062,728</u>	<u>\$ 11,123</u>	<u>\$ 3,975</u>	<u>\$ 1,077,826</u>
	<u>Enterprise Fund</u>			
Vendor payables	\$ 17,628			
Sales tax payable	1,088			
Pension related liabilities	3,870			
Payroll and related benefits	82,205			
Total	<u>\$ 104,791</u>			

H. Unearned Revenue

Unearned revenue as of June 30, 2017, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Local Sources:			
Site donations	\$ 100,025	-	\$ 100,025
Prepaid meals	-	31,512	31,512
Other local sources	856	-	856
Total	<u>\$ 100,881</u>	<u>\$ 31,512</u>	<u>\$ 132,393</u>
	<u>Enterprise Fund</u>		
Local Sources:			
Prepaid child care fees	\$ 198,034		
Total	<u>\$ 198,034</u>		

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

J. Components of Ending Fund Balance

Ending fund balance for the year ended June 30, 2017, consisted of:

	Major Governmental Funds			Total Governmental Funds
	General Fund	Capital Projects Fund For Blended Component Unit	Nonmajor Governmental Funds	
Nonspendable Fund Balances				
Revolving Cash	\$ 25,000	\$ -	\$ -	\$ 25,000
Prepaid Items	136,666	-	-	136,666
Total Nonspendable	<u>161,666</u>	<u>-</u>	<u>-</u>	<u>161,666</u>
Restricted Fund Balances				
Capital Projects	77,899	9,960,546	-	10,038,445
Child Nutrition Program	-	-	5,462	5,462
Special Education	12,697	-	-	12,697
Total Restricted	<u>90,596</u>	<u>9,960,546</u>	<u>5,462</u>	<u>10,056,604</u>
Committed Fund Balances				
Deferred Maintenance	-	-	348,203	348,203
Total Committed	<u>-</u>	<u>-</u>	<u>348,203</u>	<u>348,203</u>
Assigned Fund Balances				
Capital Projects	-	-	1,038,280	1,038,280
Post Retirement Benefits	852,506	-	-	852,506
School Sites	156,988	-	-	156,988
Total Assigned	<u>1,009,494</u>	<u>-</u>	<u>1,038,280</u>	<u>2,047,774</u>
Unassigned Fund Balances				
For Economic Uncertainty	1,654,063	-	-	1,654,063
Other Unassigned	8,270,314	-	-	8,270,314
Total Unassigned	<u>9,924,377</u>	<u>-</u>	<u>-</u>	<u>9,924,377</u>
Total Fund Balance	\$ <u>11,186,133</u>	\$ <u>9,960,546</u>	\$ <u>1,391,945</u>	\$ <u>22,538,624</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Special Tax Bonds					
Principal Balance	\$ 22,380,000	\$ -	\$ 2,380,000	\$ 20,000,000	\$ 660,000
Bond Premium	60,595	-	2,234	58,361	2,321
Bond Discount	(54,740)	-	(17,436)	(37,304)	(1,169)
Total Special Tax Bonds	22,385,855	-	2,364,798	20,021,057	661,152
Capital leases	491,874	127,783	243,638	376,019	244,463
Net OPEB Obligation	4,552,837	905,008	44,793	5,413,052	-
Net Pension Liability	44,019,367	7,828,264	-	51,847,631	-
Compensated absences *	262,505	18,357	-	280,862	280,862
Total governmental activities	\$ 71,712,438	\$ 8,879,412	\$ 2,653,229	\$ 77,938,621	\$ 1,186,477
Business-type activities:					
Net OPEB Obligation	\$ 385,828	\$ 61,754	\$ 3,056	\$ 444,526	\$ -
Net Pension Liability	2,713,202	1,280,967	-	3,994,169	-
Compensated absences *	50,686	8,265	-	58,951	58,951
Total business-type activities	\$ 3,149,716	\$ 1,350,986	\$ 3,056	\$ 4,497,646	\$ 58,951

* 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 for principal balances of special tax bonds and capital leases at June 30, 2017 consisted of the following:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 904,463	\$ 936,294	\$ 1,840,757
2019	821,556	904,936	1,726,492
2020	715,000	873,626	1,588,626
2021	740,000	843,205	1,583,205
2022	770,000	811,048	1,581,048
2023-2027	4,405,000	3,494,341	7,899,341
2028-2032	5,570,000	2,306,269	7,876,269
2033-2037	5,955,000	817,391	6,772,391
2038-2042	495,000	23,278	518,278
Totals	\$ 20,376,019	\$ 11,010,388	\$ 31,386,407

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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, 2017, 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				<u>\$ 29,875,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2007 Special Tax Bonds				
Principal Balance	\$ 16,525,000	\$ -	\$ 515,000	\$ 16,010,000
Unamortized Premium	60,595	-	2,234	58,361
Total 2007 Bonds	<u>16,585,595</u>	<u>-</u>	<u>517,234</u>	<u>16,068,361</u>
2012 Tax Refunding Bonds				
Principal Balance	5,855,000	-	1,865,000	3,990,000
Unamortized Discount	(54,740)	-	(17,436)	(37,304)
Total 2012 Bonds	<u>5,800,260</u>	<u>-</u>	<u>1,847,564</u>	<u>3,952,696</u>
Total Special Tax Bonds	<u>\$ 22,385,855</u>	<u>\$ -</u>	<u>\$ 2,364,798</u>	<u>\$ 20,021,057</u>

The annual requirements to amortize the bonds outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 660,000	\$ 929,060	\$ 1,589,060
2019	690,000	902,328	1,592,328
2020	715,000	873,626	1,588,626
2021	740,000	843,205	1,583,205
2022	770,000	811,048	1,581,048
2023-2027	4,405,000	3,494,341	7,899,341
2028-2032	5,570,000	2,306,269	7,876,269
2033-2037	5,955,000	817,391	6,772,391
2038-2042	495,000	23,278	518,278
Totals	<u>\$ 20,000,000</u>	<u>\$ 11,000,546</u>	<u>\$ 31,000,546</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Bond Premium

Bond premium 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 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	<u>17,045,892</u>
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 higher 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	<u>7,054,525</u>
Par amount of Bonds	9,920,000
Periods	26
Effective Interest Rate	2.735%

4. Capital Leases

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%.

On April 15, 2015 the District entered into a capital lease agreement with Apple Financial Services to purchase computer equipment. The lease calls for annual payments of \$90,309 which includes principal and interest at a rate of 1.500%.

On December 12, 2016 the District entered into a capital lease agreement with Wells Fargo Vendor Financial Services, LLC to purchase computer equipment. The lease calls for annual payments of \$43,855 which includes principal and interest at a rate of 3.000%.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

A summary of the district's capital leases outstanding as of June 30, 2017 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
2017 Wells Fargo	12/21/2016	3.000%	12/21/2018	127,783
Total Capital Leases				<u>\$ 938,241</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2014 Apple Financial	\$ 228,877	\$ -	\$ 113,419	\$ 115,458
2016 Apple Financial	262,997	-	86,364	176,633
2017 Wells Fargo	-	127,783	43,855	83,928
Total Capital Leases	<u>\$ 491,874</u>	<u>\$ 127,783</u>	<u>\$ 243,638</u>	<u>\$ 376,019</u>

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 244,463	\$ 7,234	\$ 251,697
2019	131,556	2,608	134,164
Totals	<u>\$ 376,019</u>	<u>\$ 9,842</u>	<u>\$ 385,861</u>

L. Pension Plans

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 Paid

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
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, 2017)	10.250%	9.205%**
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	8.578%	8.578%

*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 Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
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, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

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, 2016 (measurement date) the State contributed 7.67% 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. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Governmental Activities		Business Type Activities	
	Contribution Rate	Contribution Amount	Contribution Rate	Contribution Amount
2015	5.679%	\$ 1,305,814	5.679%	\$ 13,211
2016	7.126%	1,630,829	7.126%	18,513
2017	7.677%	2,124,489	7.677%	16,173

d. Contributions Recognized

For the year ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized as part of pension expense for each Plan were as follows:

	Governmental Activities		Business Type Activities		Total
	CalSTRS	CalPERS	CalSTRS	CalPERS	
Contributions - Employer	\$ 2,695,921	\$ 795,099	\$ 33,614	\$ 253,089	\$ 3,777,723
Contributions - State	2,124,489	-	16,173	-	2,140,662
Total Contributions	\$ 4,820,410	\$ 795,099	\$ 49,787	\$ 253,089	\$ 5,918,385

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

As of June 30, 2017, 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	\$ 40,901,792	\$ 509,984	\$ 41,411,776
CalPERS	10,945,839	3,484,185	14,430,024
Total Net Pension Liability	<u>\$ 51,847,631</u>	<u>\$ 3,994,169</u>	<u>\$ 55,841,800</u>

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, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's portion 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, 2016 and June 30, 2017 were as follows:

	CalSTRS				Total for District Employees
	District's Proportionate Share		State's Proportionate Share		
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	
June 30, 2016	0.0535%	0.0006%	0.0318%	0.0003%	0.0862%
June 30, 2017	0.0506%	0.0006%	0.0306%	0.0003%	0.0821%
Change	<u>-0.0029%</u>	<u>-</u>	<u>-0.0012%</u>	<u>-</u>	<u>-0.0041%</u>

	CalPERS		
	District's Proportionate Share		Total for District Employees
	Governmental Activities	Business Type Activities	Employees
June 30, 2016	0.0541%	0.0156%	0.0697%
June 30, 2017	0.0554%	0.0176%	0.0730%
Change	<u>0.0013%</u>	<u>0.0020%</u>	<u>0.0033%</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	Governmental Activities		Business Type Activities		Total
	CalSTRS	CalPERS	CalSTRS	CalPERS	
Change in Net Pension Liability	\$ 4,850,821	\$ 2,977,443	\$ 101,744	\$ 1,179,223	\$ 9,109,231
Contributions - State on Behalf Payments	2,124,489	-	16,173	-	2,140,662
Increases/(Decreases) Resulting From Changes In Deferred Outflows & Deferred Inflows for:					
Contributions - Employer made subsequent to measurement Date	(705,861)	(191,434)	7,112	(8,847)	(899,030)
Difference between actual and expected experiences	(3,650)	(54,907)	(40)	(21,036)	(79,633)
Change in assumptions	-	(131,686)	-	(38,092)	(169,778)
Change in proportionate shares	1,826,131	(184,181)	(10,660)	(240,153)	1,391,137
Net difference between projected and actual earnings	(4,776)	(1,983,223)	(62)	(623,905)	(2,611,966)
Total Pension Expense	\$ <u>8,087,154</u>	\$ <u>432,012</u>	\$ <u>114,267</u>	\$ <u>247,190</u>	\$ <u>8,880,623</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Pension contributions subsequent to measurement date	\$ 3,481,257	\$ 989,423	\$ -	\$ -
Differences between actual & expected experience	-	544,861	(13,491)	-
Changes in assumptions	-	-	-	(395,056)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	594,527	160,666	(1,604,104)	(70,546)
Net difference between projected and actual experience on plan investments	11,781	2,754,657	-	(1,074,579)
Total	\$ 4,087,565	\$ 4,449,607	\$ (1,617,595)	\$ (1,540,181)

	Business Type Activities			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Pension contributions subsequent to measurement date	\$ 26,502	\$ 261,936	\$ -	\$ -
Differences between actual & expected experience	-	162,762	(154)	-
Changes in assumptions	-	-	-	(114,275)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	19,324	236,317	-	(11,506)
Net difference between projected and actual experience on plan investments	141	848,327	-	(308,288)
Total	\$ 45,967	\$ 1,509,342	\$ (154)	\$ (434,069)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Year Ended June 30,	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 3,682,816	\$ 1,966,888	\$ (406,051)	\$ (692,490)	\$ 4,551,163
2019	201,559	977,465	(406,051)	(692,489)	80,484
2020	201,557	977,464	(404,192)	(155,202)	619,627
2021	1,633	527,790	(401,301)	-	128,122
Total	\$ 4,087,565	\$ 4,449,607	\$ (1,617,595)	\$ (1,540,181)	\$ 5,379,396

Year Ended June 30,	Business Type Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 31,901	\$ 606,307	\$ (58)	\$ (196,071)	\$ 442,079
2019	5,399	344,371	(58)	(196,071)	153,641
2020	5,397	344,369	(36)	(41,927)	307,803
2021	3,270	214,295	(2)	-	217,563
Total	\$ 45,967	\$ 1,509,342	\$ (154)	\$ (434,069)	\$ 1,121,086

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	CalSTRS		CalPERS	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Measurement Date				
Actuarial Cost Method	Entry Age Normal		Entry Age Normal	
Actuarial Assumptions:				
Discount Rate	7.60%		7.65%	
Inflation	3.00%		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	7.60% (2)		7.65% (2)	
Mortality	.013%-0.435% (3)		.00125-.45905% (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

d. 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 actuarially assumed 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.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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 tables 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.

CalSTRS		
Asset Class	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CalPERS			
Asset Class	Assumed	Real Return Years 1-10(1)	Real Return Years 11+(2)
	Allocation 06/30/2016		
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-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

e. 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	\$ 58,866,903	\$ 16,331,254	\$ 733,980	\$ 5,198,423
Current Discount Rate	7.60%	7.65%	7.60%	7.65%
Net Pension Liability	\$ 40,901,792	\$ 10,945,839	\$ 509,984	\$ 3,484,185
1% Increase	8.60%	8.65%	8.60%	8.65%
Net Pension Liability	\$ 25,981,015	\$ 6,461,423	\$ 323,943	\$ 2,056,744

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

f. 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, 2016 (Previously Reported)	\$ 221,177,536	\$ 163,717,561	\$ 57,459,975	\$ 21,409,004	\$ 36,050,971
Changes for the year:					
Change in proportionate share	(10,827,990)	(8,014,974)	(2,813,016)	(807,887)	(2,005,129)
Service cost	4,767,938	-	4,767,938	1,797,444	2,970,494
Interest	15,691,824	-	15,691,824	5,915,592	9,776,232
Differences between expected and actual experience	(981,348)	-	(981,348)	(369,954)	(611,394)
Contributions:					
Employer	-	2,752,599	(2,752,599)	(1,037,690)	(1,714,909)
Employee	-	2,400,587	(2,400,587)	(904,987)	(1,495,600)
State On Behalf	-	1,574,622	(1,574,622)	(593,610)	(981,012)
Net investment income	-	1,870,939	(1,870,939)	(705,317)	(1,165,622)
Other income	-	33,701	(33,701)	(12,705)	(20,996)
Benefit payments, including refunds of employee contributions	(10,672,712)	(10,672,712)	-	-	-
Administrative expenses	-	(146,152)	146,152	55,097	91,055
Other expenses	-	(12,363)	12,363	4,661	7,702
Net Changes	(2,022,288)	(10,213,753)	8,191,465	3,340,644	4,850,821
Balance at June 30, 2017	\$ 219,155,248	\$ 153,503,808	\$ 65,651,440	\$ 24,749,648	\$ 40,901,792

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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, 2016 (Previously Reported)	\$ 2,348,856	\$ 1,738,644	\$ 610,212	\$ 201,972	\$ 408,240
Changes for the year:					
Change in proportionate share	62,585	46,326	16,259	-	16,259
Service cost	54,660	-	54,660	17,622	37,038
Interest	179,891	-	179,891	57,996	121,895
Differences between expected and actual experience	(11,250)	-	(11,250)	(3,627)	(7,623)
Contributions:					
Employer	-	31,556	(31,556)	(10,173)	(21,383)
Employee	-	27,520	(27,520)	(8,872)	(18,648)
State On Behalf	-	18,051	(18,051)	(5,820)	(12,231)
Net investment income	-	21,448	(21,448)	(6,915)	(14,533)
Other income	-	386	(386)	(125)	(261)
Benefit payments, including refunds of employee contributions	(122,352)	(122,352)	-	-	-
Administrative expenses	-	(1,675)	1,675	540	1,135
Other expenses	-	(142)	142	46	96
Net Changes	163,534	21,118	142,416	40,672	101,744
Balance at June 30, 2017	\$ 2,512,390	\$ 1,759,762	\$ 752,628	\$ 242,644	\$ 509,984

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	\$ 38,734,130	\$ 30,765,734	\$ 7,968,396
Changes for the year:			
Change in proportionate share	976,236	775,404	200,832
Service cost	951,413	-	951,413
Interest	3,016,009	-	3,016,009
Differences between expected and actual experience	221,744	-	221,744
Changes in assumptions	-	-	-
Contributions - Employer	-	795,099	(795,099)
Contributions - Employee	-	471,714	(471,714)
Net plan to plan resource movement	-	6	(6)
Net investment income	-	164,887	(164,887)
Benefit payments, including refunds of employee contributions	(1,965,721)	(1,965,721)	-
Administrative expenses	-	(19,151)	19,151
Net Changes	<u>3,199,681</u>	<u>222,238</u>	<u>2,977,443</u>
Balance at June 30, 2017	<u>\$ 41,933,811</u>	<u>\$ 30,987,972</u>	<u>\$ 10,945,839</u>

CalPERS - Business Type Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	\$ 11,204,348	\$ 8,899,396	\$ 2,304,952
Changes for the year:			
Change in proportionate share	1,435,911	1,140,515	295,396
Service cost	302,846	-	302,846
Interest	960,030	-	960,030
Differences between expected and actual experience	70,584	-	70,584
Changes in assumptions	-	-	-
Contributions - Employer	-	253,089	(253,089)
Contributions - Employee	-	150,152	(150,152)
Net plan to plan resource movement	-	2	(2)
Net investment income	-	52,486	(52,486)
Benefit payments, including refunds of employee contributions	(625,711)	(625,711)	-
Administrative expenses	-	(6,096)	6,096
Net Changes	<u>2,143,660</u>	<u>964,437</u>	<u>1,179,223</u>
Balance at June 30, 2017	<u>\$ 13,348,008</u>	<u>\$ 9,863,833</u>	<u>\$ 3,484,175</u>

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

M. 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.

N. 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 2016-17 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Annual OPEB Cost and Net OPEB Obligation

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

	Governmental Activities	Business Type Activities	Total
Annual required contribution	\$ 1,180,193	\$ 85,074	\$ 1,265,267
Interest on net OPEB obligation	46,621	3,951	50,572
Adjustment to annual required contribution	(321,806)	(27,271)	(349,077)
Annual OPEB cost (expense)	905,008	61,754	966,762
Contribution made	(44,793)	(3,056)	(47,849)
Increase in net OPEB obligation	860,215	58,698	918,913
Net OPEB obligation, beginning of year	4,552,837	385,828	4,938,665
Net OPEB obligation, end of year	\$ 5,413,052	\$ 444,526	\$ 5,857,578

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2016, and 2017 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 798,906	10.84%	4,022,687
2016	973,543	5.90%	4,938,665
2017	966,762	5.00%	5,857,578

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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.

O. 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, 2017, is as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Amortization Term</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Current Year Amortization</u>	<u>Balance June 30, 2017</u>
Refunding loss	06/07/2012	26 Years	\$ 268,410	\$ -	\$ 11,670	256,740
Pension related - Governmental		Varies	6,195,622	7,117,814	4,776,264	8,537,172
Pension related - Business Type		Varies	815,738	1,376,282	636,711	1,555,309
Total Deferred Outflows of Resources			\$ 7,279,770	\$ 8,494,096	\$ 5,424,645	\$ 10,349,221

Future amortization of deferred outflows of resources is as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities Refunding Loss</u>	<u>Governmental Activities Pension Related</u>	<u>Business Type Activities Pension Related</u>	<u>Total</u>
2018	\$ 11,670	\$ 5,649,704	\$ 638,208	\$ 6,299,582
2019	11,670	1,179,024	349,770	1,540,464
2020	11,670	1,179,021	349,766	1,540,457
2021	11,670	529,423	217,565	758,658
2022	11,670	-	-	11,670
2023-2027	58,350	-	-	58,350
2028-2032	58,350	-	-	58,350
2033-2037	58,350	-	-	58,350
2038-2042	23,340	-	-	23,340
Total	\$ 256,740	\$ 8,537,172	\$ 1,555,309	\$ 10,349,221

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

P. 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, 2017, is as follows:

Description	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related - Governmental	Varies	\$ 2,249,813	\$ 2,006,505	\$ 1,098,542	\$ 3,157,776
Pension related - Business Type	Varies	630,335	17	196,129	434,223
Total Deferred Inflows of Resources		\$ 2,880,148	\$ 2,006,522	\$ 1,294,671	\$ 3,591,999

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Governmental Activities	Business Type Activities	Total Primary Government
	Pension Related	Pension Related	
2018	\$ 1,098,541	\$ 196,129	\$ 1,294,670
2019	1,098,540	196,129	1,294,669
2020	559,394	41,963	601,357
2021	401,301	2	401,303
Total	\$ 3,157,776	\$ 434,223	\$ 3,591,999

Q. Adjustment to Beginning Net Position

Corrections were made to move items previously reported in the governmental activities on behalf of the Enterprise Fund for capital assets. 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)	\$ 70,590,373	\$ (1,565,995)	\$ (1,565,995)
Adjustments for:			
Correction to Building	(2,767,949)	2,767,949	2,767,949
Correction to Accumulated Depreciation	179,515	(179,515)	(179,515)
Correction to Beginning Work in Progress	(21,000)	21,000	21,000
Net Position, Beginning (As Restated)	\$ 67,980,939	\$ 1,043,439	\$ 1,043,439

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

R. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreement (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) and the Fringe Benefit Consortium (FBC). The relationship between the District and the JPAs is such that the JPAs are not component units of the District.

The JPAs arrange for and provide for various types of insurances for its member districts as requested. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, 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 JPAs.

Financial information on the District's share of the SDCSRM JPA for the year ended June 30, 2017 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.

Combined condensed unaudited financial information of the District's share of the FBC for the year ended June 30, 2017 is as follows:

	Dental	Health & Welfare	Vision	Total FBC
Total Assets	\$ 214,895	\$ N/A	\$ 133,394	\$ 348,289
Total Liabilities	69,693	N/A	14,079	83,772
Total Net Position	\$ 145,202	\$ N/A	\$ 119,315	\$ 264,517
Total Cash Receipts	468,932	N/A	54,908	523,840
Total Cash Disbursements	278,800	N/A	59,679	338,479
Change in Net Position	\$ 190,132	\$ N/A	\$ (4,771)	\$ 185,361

N/A - The District does not participate in the Health & Welfare fund with the FBC.

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. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer. The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

U. Subsequent Events

Debt Issuance - Series 2017 Special Tax Refunding Bonds

On August 1, 2017 the Community Facilities District No. 95-1 of the District issued Special Tax Refunding Bonds, Series 2017 in the amount of \$14,660,000, under the Mello-Roos Community Facilities Act of 1982 in order to refund previously issued 2007 Special Tax Bonds that were used to fund public works projects within the District's boundaries. The bonds were issued with maturity dates beginning September 1, 2018 and extending through September 1, 2036 with coupons varying in yield from 2.00% to 5.00%. The principal and interest payments will be made from special taxes assessed on the properties located within the Community Facilities District No. 95-1.

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
2. Reporting amounts previously reported as goodwill and "negative" goodwill.
3. Classifying real estate held by insurance entities.
4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB.
9. Simplifying certain aspects of the alternative measurement method for OPEB.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt--- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,170,350	\$ 1,170,350	\$ 1,163,666	\$ (6,684)
Education Protection Account Funds	844,600	853,502	861,468	7,966
Local Sources	41,848,655	42,779,444	42,846,598	67,154
Federal Revenue	1,054,191	1,189,691	1,151,843	(37,848)
Other State Revenue	4,378,309	4,457,712	4,501,378	43,666
Other Local Revenue	3,380,872	3,803,566	4,234,180	430,614
Total Revenues	<u>52,676,977</u>	<u>54,254,265</u>	<u>54,759,133</u>	<u>504,868</u>
Expenditures:				
Current:				
Certificated Salaries	26,839,058	27,867,833	28,083,740	(215,907)
Classified Salaries	7,392,727	7,492,761	7,502,048	(9,287)
Employee Benefits	11,328,784	11,552,765	11,528,627	24,138
Books And Supplies	2,194,237	2,604,903	2,639,931	(35,028)
Services And Other Operating Expenditures	4,632,236	4,864,352	4,986,389	(122,037)
Other Outgo	92,091	103,275	73,660	29,615
Capital Outlay	60,000	69,325	69,324	1
Debt Service:				
Principal	199,783	243,712	243,638	74
Interest	8,061	8,061	8,061	-
Total Expenditures	<u>52,746,977</u>	<u>54,806,987</u>	<u>55,135,418</u>	<u>(328,431)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(70,000)</u>	<u>(552,722)</u>	<u>(376,285)</u>	<u>176,437</u>
Other Financing Sources (Uses):				
Transfers In	70,000	91,000	91,000	-
Other Sources	-	130,615	130,615	-
Total Other Financing Sources (Uses)	<u>70,000</u>	<u>221,615</u>	<u>221,615</u>	<u>-</u>
Net Change in Fund Balance	-	(331,107)	(154,670)	176,437
Fund Balance, July 1	11,340,803	11,340,803	11,340,803	-
Fund Balance, June 30	<u>\$ 11,340,803</u>	<u>\$ 11,009,696</u>	<u>\$ 11,186,133</u>	<u>\$ 176,437</u>

See Accompanying Notes to Required Supplementary Information.

DEL MAR UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2017

EXHIBIT B-2

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0566%	0.0540%	0.0522%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 41,411,776	36,459,211	30,716,064	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	24,992,292	21,535,852	21,525,498	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	66,404,068	57,995,063	52,241,562	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 27,883,617	26,179,031	24,954,539	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	148.52%	139.27%	123.09%	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	70.40%	74.02%	76.52%	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.

See Accompanying Notes to the Required Supplementary Information.

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 3,507,759	2,809,010	2,215,963	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,507,759)	(2,809,010)	(2,215,963)	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
District's covered-employee payroll	\$ 27,883,617	26,179,031	24,954,539	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	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.

See Accompanying Notes to the Required Supplementary Information.

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 *

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0730%	0.0697%	0.0567%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 14,430,024	10,273,359	8,049,024	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 9,010,362	8,872,103	7,750,726	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	160.15%	115.79%	103.85%	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	73.90%	79.43%	83.38%	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.

See Accompanying Notes to the Required Supplementary Information.

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,251,359	1,051,078	912,338	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,251,359)	(1,051,078)	(912,338)	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
District's covered-employee payroll	\$ 9,010,362	8,872,103	7,750,726	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	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.

See Accompanying Notes to the Required Supplementary Information.

DEL MAR UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017

Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries \$	215,907	Unexpected increases in salaries for the year.
Classified Salaries	9,287	Unexpected increases in salaries for the year.
Books and Supplies	35,028	Underestimated amount required for supplies.
Services and Other		
Opertaing Expenditures	122,037	Underestimated amount required for other services.

Schedule of District's Proportionate Share - California State Teachers Retirement System

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

Schedule of District's Contributions - California State Teachers Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Valuation Date</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

Schedule of District's Proportionate Share - California Public Employees Retirement System

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Valuation Date</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	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 the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

Combining Statements 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, 2017

	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	\$ 217,317	\$ -	\$ 1,031,060	\$ 1,248,377
Accounts Receivable	36,190	-	8,001	44,191
Due from Other Funds	135,191	-	-	135,191
Total Assets	<u>388,698</u>	<u>-</u>	<u>1,039,061</u>	<u>1,427,759</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 3,405	\$ -	\$ 570	\$ 3,975
Due to Other Funds	116	-	211	327
Unearned Revenue	31,512	-	-	31,512
Total Liabilities	<u>35,033</u>	<u>-</u>	<u>781</u>	<u>35,814</u>
Fund Balance:				
Restricted Fund Balances	5,462	-	-	5,462
Committed Fund Balances	348,203	-	-	348,203
Assigned Fund Balances	-	-	1,038,280	1,038,280
Total Fund Balance	<u>353,665</u>	<u>-</u>	<u>1,038,280</u>	<u>1,391,945</u>
Total Liabilities and Fund Balances	<u>\$ 388,698</u>	<u>\$ -</u>	<u>\$ 1,039,061</u>	<u>\$ 1,427,759</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund <u>Blended Component Unit</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
LCFF Sources:				
Local Sources	\$ 135,126	\$ -	\$ -	\$ 135,126
Federal Revenue	167,733	-	-	167,733
Other State Revenue	8,630	-	-	8,630
Other Local Revenue	801,442	-	85,513	886,955
Total Revenues	<u>1,112,931</u>	<u>-</u>	<u>85,513</u>	<u>1,198,444</u>
Expenditures:				
Current:				
Pupil Services	1,010,058	-	-	1,010,058
General Administration	-	-	17,491	17,491
Plant Services	-	-	55,527	55,527
Capital Outlay	-	-	243,632	243,632
Debt Service:				
Principal	-	2,430,700	-	2,430,700
Interest	-	990,344	-	990,344
Total Expenditures	<u>1,010,058</u>	<u>3,421,044</u>	<u>316,650</u>	<u>4,747,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>102,873</u>	<u>(3,421,044)</u>	<u>(231,137)</u>	<u>(3,549,308)</u>
Other Financing Sources (Uses):				
Transfers In	-	3,421,044	-	3,421,044
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,421,044</u>	<u>-</u>	<u>3,421,044</u>
Net Change in Fund Balance	102,873	-	(231,137)	(128,264)
Fund Balance, July 1	250,792	-	1,269,417	1,520,209
Fund Balance, June 30	<u>\$ 353,665</u>	<u>\$ -</u>	<u>\$ 1,038,280</u>	<u>\$ 1,391,945</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 4,721	\$ 212,596	\$ 217,317
Accounts Receivable	35,709	481	36,190
Due from Other Funds	65	135,126	135,191
Total Assets	<u>40,495</u>	<u>348,203</u>	<u>388,698</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 3,405	\$ -	\$ 3,405
Due to Other Funds	116	-	116
Unearned Revenue	31,512	-	31,512
Total Liabilities	<u>35,033</u>	<u>-</u>	<u>35,033</u>
Fund Balance:			
Restricted Fund Balances	5,462	-	5,462
Committed Fund Balances	-	348,203	348,203
Total Fund Balance	<u>5,462</u>	<u>348,203</u>	<u>353,665</u>
Total Liabilities and Fund Balances	<u>\$ 40,495</u>	<u>\$ 348,203</u>	<u>\$ 388,698</u>

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, 2017

	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	167,733	-	167,733
Other State Revenue	8,630	-	8,630
Other Local Revenue	799,907	1,535	801,442
Total Revenues	<u>976,270</u>	<u>136,661</u>	<u>1,112,931</u>
Expenditures:			
Current:			
Pupil Services	<u>1,010,058</u>	-	<u>1,010,058</u>
Total Expenditures	<u>1,010,058</u>	<u>-</u>	<u>1,010,058</u>
Net Change in Fund Balance	(33,788)	136,661	102,873
Fund Balance, July 1	39,250	211,542	250,792
Fund Balance, June 30	<u>\$ 5,462</u>	<u>\$ 348,203</u>	<u>\$ 353,665</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 444,154	\$ 586,906	\$ 1,031,060
Accounts Receivable	6,248	1,753	8,001
Total Assets	<u>450,402</u>	<u>588,659</u>	<u>1,039,061</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 570	\$ -	\$ 570
Due to Other Funds	211	-	211
Total Liabilities	<u>781</u>	<u>-</u>	<u>781</u>
Fund Balance:			
Assigned Fund Balances	449,621	588,659	1,038,280
Total Fund Balance	<u>449,621</u>	<u>588,659</u>	<u>1,038,280</u>
Total Liabilities and Fund Balances	<u>\$ 450,402</u>	<u>\$ 588,659</u>	<u>\$ 1,039,061</u>

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, 2017

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 78,643	\$ 6,870	\$ 85,513
Total Revenues	<u>78,643</u>	<u>6,870</u>	<u>85,513</u>
Expenditures:			
Current:			
General Administration	17,491	-	17,491
Plant Services	-	55,527	55,527
Capital Outlay	-	243,632	243,632
Total Expenditures	<u>17,491</u>	<u>299,159</u>	<u>316,650</u>
Net Change in Fund Balance	61,152	(292,289)	(231,137)
Fund Balance, July 1	388,469	880,948	1,269,417
Fund Balance, June 30	<u>\$ 449,621</u>	<u>\$ 588,659</u>	<u>\$ 1,038,280</u>

Other Supplementary Information

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

Supplementary Information Section

DEL MAR UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2017

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
Stephen Cochrane, Ph.D.	Member	Four year term Expires December 2020
Erica Halpern	Member	Four year term Expires December 2020
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
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2017

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,213.58	N/A	2,221.02	N/A
Extended Year Special Education	5.36	N/A	5.36	N/A
Nonpublic, Nonsectarian Schools	1.41	N/A	1.49	N/A
Extended Year-Nonpublic	0.18	N/A	0.18	N/A
TK/K-3 Totals	<u>2,220.53</u>	<u>N/A</u>	<u>2,228.05</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	2,080.88	N/A	2,081.61	N/A
Extended Year Special Education	2.10	N/A	2.10	N/A
Nonpublic, Nonsectarian Schools	0.86	N/A	0.86	N/A
Extended Year-Nonpublic	-	N/A	-	N/A
Grades 4-6 Totals	<u>2,083.84</u>	<u>N/A</u>	<u>2,084.57</u>	<u>N/A</u>
ADA totals	<u>4,304.37</u>	<u>N/A</u>	<u>4,312.62</u>	<u>N/A</u>

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.

DEL MAR UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

YEAR ENDED JUNE 30, 2017

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Transitional Kindergarten	36,000	54,845	180	-	Complied
Kindergarten	36,000	54,845	180	-	Complied
Grade 1	50,400	54,675	180	-	Complied
Grade 2	50,400	54,675	180	-	Complied
Grade 3	50,400	54,675	180	-	Complied
Grade 4	54,000	54,675	180	-	Complied
Grade 5	54,000	54,675	180	-	Complied
Grade 6	54,000	54,675	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
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2017

TABLE D-3

General Fund	Budget 2018	2017	2016	2015
Revenues and other financial sources	\$ 56,521,094	\$ 54,980,748	\$ 52,905,341	\$ 46,919,204
Expenditures, other uses and transfers out	55,656,316	55,135,418	52,426,631	47,509,394
Change in fund balance (deficit)	864,778	(154,670)	478,710	(590,190)
Ending fund balance	\$ 12,050,911	\$ 11,186,133	\$ 11,340,803	\$ 10,862,093
Available reserves (Note 2)	\$ 11,971,274	\$ 10,933,871	\$ 11,178,673	\$ 10,518,840
Available reserves as a percentage of total outgo (Note 3)	21.5%	20.4%	22.0%	22.8%
Total long-term debt	\$ 81,190,869	\$ 82,436,297	\$ 96,398,005	\$ 89,485,240
Average daily attendance at P-2	4,348	4,304	4,216	4,271

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 increased by \$324,040 (2.98%) over the past two years. The fiscal year 2017-18 budget projects an increase in fund balance by \$864,778. 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 decreased by \$7,048,943 over the past two years.

Average daily attendance has increased 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 \$2,124,489, \$1,649,341, and \$1,318,857 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.

DEL MAR UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2017

TABLE D-4

	General Fund	Enterprise Fund
June 30, 2017, annual financial and budget report fund balances	\$ 11,186,133	\$ (1,530,087)
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	(16,173)	16,173
To move CalSTRS expenses from on behalf payments associated with the enterprise fund to the enterprise fund	16,173	(16,173)
To move building associated with the enterprise fund to the enterprise fund		2,788,949
To move accumulated depreciation - building associated with the enterprise fund to the enterprise fund		(179,515)
To record depreciation expense for building in the enterprise fund		(83,884)
To record compensated absences in the enterprise fund	-	(8,265)
To record net OPEB obligation in the enterprise fund	-	(58,698)
To record net pension liability in the enterprise fund	-	(1,280,967)
To record deferred outflows of resources - pension related in the enterprise fund	-	739,571
To record deferred inflows of resources - pension related in the enterprise fund	-	196,112
Net adjustments and reclassifications	-	2,113,303
June 30, 2017, audited financial statement fund balances	\$ 11,186,133	\$ 583,216

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.

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2017

TABLE D-5

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

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

TABLE D-6

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>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child Nutrition: NSL Section 4	10.555	13391	\$ -	\$ 61,573
Child Nutrition: NSL Section 11	10.555	13396	-	107,459
Total Passed Through State Department of Education			-	169,032
Total U. S. Department of Agriculture			-	169,032
Total Child Nutrition Cluster			-	169,032
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education: IDEA Basic Early Intervention	84.027	10119	-	14,654
Special Education: IDEA	84.027	13379	-	797,961
Special Education: Preschool Local	84.027	13682	-	137,463
Special Education: IDEA Mental Health	84.027	14468	-	48,690
Special Education: IDEA Preschool Staff Development	84.173	13430	-	422
Special Education: Preschool Grants	84.173	13430	-	44,380
Total Passed Through State Department of Education			-	1,043,570
Total U. S. Department of Education			-	1,043,570
Total Special Education (IDEA) Cluster			-	1,043,570
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title III Limited English Proficiency	84.365	10084	-	43,318
Title III Immigrant	84.365	14346	-	35,098
Title II Teacher Quality	84.367	14341	-	29,857
Total Passed Through State Department of Education			-	108,273
Total U. S. Department of Education			-	1,151,843
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,320,875

The accompanying notes are an integral part of this schedule.

DEL MAR UNION SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

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 6.38% 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:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Title III Limited English Proficiency	84.365	2.00%

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Other Independent Auditor's Reports

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

Board of Trustees
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, 2017, 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 14, 2017.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 14, 2017



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

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, 2017. 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, 2017.

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 deficiencies. 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 14, 2017



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

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 *2016-17 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, 2017.

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, *2016-17 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, *2016-17 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.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
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**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
Mental Health Expenditures	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, 2017.

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 *2016-17 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 14, 2017

Findings and Recommendations Section

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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 Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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? Yes X No

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

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

DEL MAR UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2016-001 (40000) Unduplicated Pupil Counts</p> <p>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 deisgnated eligible under FRPM only, that was incorrectly designated on the report as FRPM. There were no errors found in the remaning 45 tested that were designated as FRPM and EL or EL Only</p> <p>We recommended that the District 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.</p>	Implemented	
<p>Finding 2016-002 (70000) Instructional Materials</p> <p>In our review of the public hearing held by the District to determine sufficiency of textbooks and instructional materials, we noted that the notice of public hearing was posted only 6 days in advance of the hearing.</p> <p>We recommended that the District implement procedures to ensure the notice of public hearing for the sufficiency of instructional materials is posted 10 days in advance.</p>	Implemented	