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

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Del Mar Union School District
Audit Report
For The Year Ended June 30, 2018

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Audit Report
For The Year Ended June 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Del Mar Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios 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, *2017-18 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, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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, 2018

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, 2018. 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 2017-2018 are as follows:

-Total net position (including Business Type Activities) for the District are $61,291,706.

-Outstanding Capital Lease-Purchase Debt decreased from $376,020 to $131,556 during 2017-2018.

-The District's annual average daily attendance is 4,332.52 in 2017-2018.

-Property tax revenue increased by 6.71% in 2017-2018 over 2016-2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

Statement of Net Position and Statement of Activities

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT INDIVIDUAL FUNDS

Fund Financial Statements

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

-Some funds are required by State law and by bond covenants.

-The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

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

Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the districtwide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

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

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

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

Enterprise funds - Are operated in a manner similar to a 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 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. 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 districtwide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The district's net position was $61,788,112 as of June 30, 2018. 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 on Net Position for Years Ended

	June 30, 2017	June 30, 2018	Change	% Change
Assets				
Cash	24,582,165	34,216,632	9,634,467	39%
Receivables	760,955	606,040	(154,915)	-20%
Prepaid Expenses	142,776	69,030	(73,746)	-52%
Capital Assets:				
Land	36,813,151	36,813,151	-	0%
Site Improvements	3,324,510	3,324,510	-	0%
Buildings	104,938,105	104,938,105	-	0%
Equipment	3,663,273	3,664,595	1,322	0%
Work in Progress	-	-	-	-
Less Accumulated Depreciation	(35,606,531)	(38,104,506)	(2,497,975)	7%
Total Assets	138,618,404	145,527,557	6,909,153	5%
DEFERRED OUTFLOWS OF RESOURCES	10,349,221	23,261,760	12,912,539	125%
Liabilities				
Accounts Payable & Liabilities	1,502,586	1,893,532	390,946	26%
Unearned Revenue	330,427	446,178	115,751	35%
Long-Term Liabilities:				
Due within one year	1,245,428	881,491	*(363,937)*	-29%
Due in more than one year	81,190,839	95,455,631	*14,264,792*	18%
Total Liabilities	84,269,280	98,676,832	14,407,552	17%
DEFERRED INFLOWS OF RESOURCES	3,591,999	8,820,779	5,228,780	146%
Net Position				
Net Investment in Capital Assets				-4%

	95,299,900	91,509,231	(3,790,669)	
Restricted For:				
Capital Projects	10,038,445	534,969	(9,503,476)	-95%
Educational Purposes	12,697	26,053	13,356	105%
Other Purposes (expendable)	5,462	119,679	114,217	2091%
Other Purposes (nonexpendable)	161,666	25,000	(136,666)	-85%
Unrestricted	(44,411,828)	(30,923,226)	14,370,018	-30%
Total Net Position	61,106,342	61,291,706	185,364	0.3%

Governmental Activities

Revenue in the Governmental Funds is divided into general revenue, which funds the basic on-going instructional programs and related support services; and program revenue, which funds specific program activities that support the children enrolled in the Del Mar Union School District. Revenues from the District's governmental and business type activities were $72,344,504 (see Table A-2) while expenditures were $71,229,449 (see Table A-3). The change in net position from the District's governmental and business type activities was $ (see Table A-4).

Table A-2
Revenue for Governmental & Business Type Activities

	2016-2017	2017-18	Change	% Change
Governmental Activities				
Program Revenue	$ 6,935,638	$ 6,664,009	$ (271,629)	-3.92%
General Revenue	52,705,146	61,051,130	8,345,984	15.84%
Total Governmental Revenue	59,640,784	67,715,139	8,074,355	13.54%
Business Type Activites				
Program Revenue	4,233,773	4,588,645	354,872	8.38%
General Revenue	7,609	34,029	26,420	347.22%
Total Business Type Revenue	4,241,382	4,622,674	381,292	8.99%
Total Revenue	$ 63,882,166	$ 72,337,813	$ 8,455,647	13.24%

The primary sources of general revenue are federal and state revenue and local property taxes and represent approximately 99.9% of general revenues. The remaining .1% 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.

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

Table A-3
Expenditures for Governmental Activities

	2016-2017	2017-18	Change	% Change
Governmental Activities				
Instruction	$ 47,771,438	$ 44,152,721	$ (3,618,717)	-7.58%
Instruction Related Services	5,247,452	5,353,302	105,850	2.02%
Pupil Services	3,613,145	3,604,232	(8,913)	-0.25%
General Administration	3995576	4095221	99,645	2.49%
Plant Services	5309907	5843716	533,809	10.05%
Community Services	6000	0	(6,000)	-100.00%
Interest on Long Term Debt	1,081,419	(55,375)	(1,136,794)	-105.12%
Other Outgo	73,660	395,338	321,678	436.71%
Depreciation (Unallocated)	-	-	-	0.00%
Total Governmental Expenditures	$ 67,098,597	63,389,155	(3,709,442)	-5.53%
Business Type Activities				
Enterprise Activities	4701605	4638164	(63,441)	-1.35%
Total Expenditures	71800202	68,027,319	$ (3,772,883)	-5.25%

FINANCIAL ANALAYSIS OF THE DISTRICT'S FUNDS

The financial performance as a whole is reflected in the District's governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of over $30 million. Below in Table A-5 is a list of all the various District funds balances at the end of the 2016-2017 and 2017-2018 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

	2016-2017	2017-18	Change	% Change
Governmental Funds				
General Fund	$ 11,186,133	$ 12,089,343	$ 903,210	8.07%
Cafeteria Fund	5,462	-	(5,462)	-100.00%
Deferred Maintenance Fund	348,203	576,518	228,315	65.57%
Capital Facilities Fund	449622	534,969	85,347	18.98%
Special Reserve Fund- Capital Projects	588658	5,562,428	4,973,770	844.93%
Capital Projects Funds for CFDs	9960546	12,151,966	2,191,420	22.00%
Total Governmental Funds	22,538,624	30,915,223	8,376,599	37.17%
Proprietary Funds				
Enterprise Fund	583,216	961,092	377,876	64.79%
Fiduciary Funds				
Foundation Trust Fund	$ 32,492	$ 32,985	493	1.52%
Total All Funds	23,154,332	31,909,300	8,754,968	37.81%

Long-Term Debt

At year end, the District had over $108 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

	2016-2017	2017-18	Change	% Change
Governmental Activities				
Special Tax Bonds	$ 20,021,057	$ 18,995,168	$ (1,025,889)	-5.12%
Capital Leases	376,019	131,556	(244,463)	-65.01%
Net OPEB Obligation	9,487,847	10,345,308	857,461	9.04%
Net Pension Liability	51,847,631	61,864,565	10,016,934	19.32%
Compensated Absences	280,862	287,080	6,218	2.21%
Total Governmental Activities	77,938,621	91,623,677	13,685,056	17.56%
Business Type Activities				
Net OPEB Obligation	726,240	791,874	65,634	9.04%
Net Pension Liability	3,994,169	3,873,768	(120,401)	-3.01%
Compensated Absences	58,951	47,803	(11,148)	-18.91%
Total Business Type Activities	4,497,646	4,713,445	215,799	4.80%
Total Long-Term Debt	$ 82,436,267	$ 96,337,122	$ 13,900,855	16.86%

CFD 95-1
On June 28, 2007 the Del Mar Community Facilities District (CFD) 95-1 issued $19,955,000 Series 2007 Special Tax Bonds. Proceeds from the Bonds were used primarily to finance the acquisition and construction of Ocean Air School and to prepay outstanding $12,660,000 1999 Certificates of Participation. The first interest payment on the bonds was payable on September 1, 2007 and semi-annually thereafter on each September 1 and March 1.

At the June 28, 2017 regular board meeting, the Governing Board of Trustees authorized the issuance and sale of the Refunding Bonds, in order to refinance CFD 95-1 to refund the outstanding 2007 Bonds. The Series 2017 Special Tax Refunding Bonds are issued at $14,660,000. Interest on the 2017 Bonds is payable March 1, 2018 and semiannually thereafter on 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 and $445,000 as of March 1, 2018.

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

Pension Accounting

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

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

Capital Assets

	2016-2017	2017-18	Change	% Change
Governmental Activities				
Land	$ 36,813,151	$ 36,813,151	$ -	0.00%
Buildings	102,149,156	102,149,156	-	0.00%
Improvements	3,324,510	3,324,510	-	0.00%
Equipment	3,663,273	3,664,595	1,322	0.04%
	145,950,090	145,951,412	1,322	0.00%
Accumulated depreciation	(35,343,133)	(37,756,803)	(2,413,670)	6.83%
Total Governmental Activities	110,606,957	108,194,609	(2,412,348)	-2.18%
Business Type Activities				
Buildings	2,788,949	2,788,949	-	0.00%
	2,788,949	2,788,949	-	
Accumulated depreciation	(263,399)	(347,703)	(84,304)	32.01%
Total Business Type Activities	2,525,550	2,441,246	(84,304)	-3.34%
Total Capital Assets	$ 113,132,507	$ 110,635,855	$ (2,496,652)	-2.21%

Current Financial Related Activities

As a community funded school district that is funded by local property taxes, the District is subject to the changing and unpredictable fluctuations in the economy. This requires the district to maintain a prudent reserve balance to assure fiscal solvency.

The District's budget supports the priorities of District Design 2022 and the Local Control Accountability Plan (LCAP). To assure fiscal solvency, DMUSD is committed to proactive fiscal planning and maintaining a prudent reserve balance for a community funded school district. A reserve balance will help minimize the impact of any loss of revenue, address unexpected costs, and economic uncertainty.

Contacting the District

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

Basic Financial Statements

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash	$ 31,842,789	$ 2,373,843	$ 34,216,632	$ 72,260
Receivables	588,448	17,592	606,040	-
Internal Balances	196,821	(196,821)	-	-
Prepaid Expenses	61,336	7,694	69,030	-
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	3,664,595	-	3,664,595	-
Less Accumulated Depreciation	(37,756,803)	(347,703)	(38,104,506)	-
Total Assets	140,884,003	4,643,554	145,527,557	72,260
DEFERRED OUTFLOWS OF RESOURCES	21,349,026	1,912,734	23,261,760	-
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,750,024	143,508	1,893,532	-
Unearned Revenue	199,480	246,698	446,178	-
Long-Term Liabilities:				
Due Within One Year	833,688	47,803	881,491	-
Due in More Than One Year	90,789,989	4,665,642	95,455,631	-
Total Liabilities	93,573,181	5,103,651	98,676,832	-
DEFERRED INFLOWS OF RESOURCES	7,664,641	1,156,138	8,820,779	-
NET POSITION				
Net Investment in Capital Assets	89,067,985	2,441,246	91,509,231	-
Restricted for:				
Capital Projects	534,969	-	534,969	-
Educational Programs	26,053	-	26,053	-
Other Purposes (Expendable)	119,679	-	119,679	-
Other Purposes (Nonexpendable)	25,000	-	25,000	-
Unrestricted	(28,778,479)	(2,144,747)	(30,923,226)	72,260
Total Net Position	$ 60,995,207	$ 296,499	$ 61,291,706	$ 72,260

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Governmental Activities:								
Instruction	$ 44,152,721	$ 49,070	$ 4,110,156	$ -	$ (39,993,495)	$ -	$ (39,993,495)	$ -
Instruction-Related Services:								
Instructional Supervision and Administration	1,944,475	3,628	313,720	-	(1,627,127)	-	(1,627,127)	-
Instructional Library, Media and Technology	242,682	-	-	-	(242,682)	-	(242,682)	-
School Site Administration	3,166,145	-	55,800	-	(3,110,345)	-	(3,110,345)	-
Pupil Services:								
Home-to-School Transportation	713,214	-	61,326	-	(651,888)	-	(651,888)	-
Food Services	1,044,262	827,534	188,918	-	(27,810)	-	(27,810)	-
All Other Pupil Services	1,846,756	2,908	120,163	-	(1,723,685)	-	(1,723,685)	-
General Administration:								
Centralized Data Processing	1,194,424	-	6,608	-	(1,187,816)	-	(1,187,816)	-
All Other General Administration	2,900,797	-	34,646	-	(2,866,151)	-	(2,866,151)	-
Plant Services	5,843,716	-	214,708	-	(5,629,008)	-	(5,629,008)	-
Community Services	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	(55,375)	-	-	-	55,375	-	55,375	-
Other Outgo - Transfer of Tuition	395,338	257	674,567	-	279,486	-	279,486	-
Business-Type Activities								
Child Care Services	4,638,164	4,588,645	-	-	-	(49,519)	(49,519)	-
Component Unit								
Donations to District	1,228,000	-	-	-	-	-	-	(1,228,000)
Support Services	91,882	-	-	-	-	-	-	(91,882)
Total Expenses	$ 69,347,201	$ 5,472,042	$ 5,780,612	$ -	$ (56,725,146)	$ (49,519)	$ (56,774,665)	$ (1,319,882)

	Governmental Activities	Business-type Activities	Total	Component Unit
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes	45,870,611	-	45,870,611	-
Taxes Levied for Other Specific Purposes	3,865,769	-	3,865,769	-
Federal and State Aid Not Restricted to Specific Programs	3,523,815	10,364	3,534,179	-
Interest and Investment Earnings	242,431	23,665	266,096	(8)
Miscellaneous	7,548,504	-	7,548,504	-
Net Fundraising Revenue	-	-	-	1,321,307
Total General Revenues	$ 61,051,130	$ 34,029	$ 61,085,159	$ 1,321,299
Change in Net Position	4,325,984	(15,490)	4,310,494	1,417
Net Position Beginning (As Restated - See Note S)	56,669,223	311,989	56,981,212	70,843
Net Position Ending	$ 60,995,207	$ 296,499	$ 61,291,706	$ 72,260

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Reserve Fund
ASSETS:		
Cash in County Treasury	$ 12,779,889	$ 5,475,766
Cash on Hand and in Banks	317,408	-
Cash in Revolving Fund	25,000	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	469,802	20,519
Due from Other Funds	287,413	66,143
Total Assets	13,879,512	5,562,428
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,436,087	$ -
Due to Other Funds	195,082	-
Unearned Revenue	159,000	-
Total Liabilities	1,790,169	-
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	25,000	-
Restricted Fund Balances	145,732	-
Committed Fund Balances	-	-
Assigned Fund Balances	1,723,521	5,562,428
Unassigned:		
Reserve for Economic Uncertainty	1,699,182	-
Other Unassigned	8,495,908	-
Total Fund Balance	12,089,343	5,562,428
Total Liabilities and Fund Balances	$ 13,879,512	$ 5,562,428

The accompanying notes are an integral part of this statement.

Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
$ 11,880,209	$ 1,042,144	$ 31,178,008
-	-	317,408
-	-	25,000
322,375	-	322,375
52,609	45,515	588,445
1,862	133,384	488,802
12,257,055	1,221,043	32,920,038
$ 16,190	$ 61,075	$ 1,513,352
88,899	8,000	291,981
-	40,480	199,480
105,089	109,555	2,004,813
-	-	25,000
12,151,966	534,969	12,832,667
-	576,519	576,519
-	-	7,285,949
-	-	1,699,182
-	-	8,495,908
12,151,966	1,111,488	30,915,225
$ 12,257,055	$ 1,221,043	$ 32,920,038

DEL MAR UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances, governmental funds			$ 30,915,225
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		145,951,412	
Accumulated depreciation		(37,756,803)	
	Net:		108,194,609
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:			(236,671)
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in deferred outflows of resources on the statement of net position are:			61,336
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		18,995,168	
Net Pension Liability		61,864,565	
Total OPEB Liability		10,345,308	
Compensated Absences Payable		287,080	
Capital Leases Payable		131,556	
	Total		(91,623,677)
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:			1,006,837
Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.			
Deferred outflows of resources relating to OPEB			50,964
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			20,291,225
Deferred inflows of resources relating to pensions			(7,664,641)
Net position of governmental activities - statement of net position			$ 60,995,207

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, 2018

	General Fund	Special Reserve Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 1,160,438	$ -
Education Protection Account Funds	864,656	-
Local Sources	45,642,366	-
Federal Revenue	1,219,063	-
Other State Revenue	4,323,391	-
Other Local Revenue	4,278,903	5,120,955
Total Revenues	57,488,817	5,120,955
Expenditures:		
Current:		
Instruction	39,985,373	-
Instruction - Related Services	5,038,910	-
Pupil Services	2,459,977	-
General Administration	3,754,106	-
Plant Services	4,897,507	147,185
Other Outgo	42,081	-
Capital Outlay	209,734	-
Debt Service:		
Principal	244,934	-
Interest	6,765	-
Total Expenditures	56,639,387	147,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	849,430	4,973,770
Other Financing Sources (Uses):		
Transfers In	70,000	-
Transfers Out	(16,220)	-
Proceeds From Sale of Bonds	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	53,780	-
Net Change in Fund Balance	903,210	4,973,770
Fund Balance, July 1	11,186,133	588,658
Fund Balance, June 30	$ 12,089,343	$ 5,562,428

The accompanying notes are an integral part of this statement.

Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 1,160,438
-	-	864,656
-	228,247	45,870,613
-	178,008	1,397,071
-	9,614	4,333,005
4,534,572	969,298	14,903,728
4,534,572	1,385,167	68,529,511
-	-	39,985,373
-	-	5,038,910
-	1,038,134	3,498,111
-	50,990	3,805,096
61,883	4,062	5,110,637
414,593	-	456,674
-	-	209,734
15,475,000	1,395,850	17,115,784
-	833,996	840,761
15,951,476	3,323,032	76,061,080
(11,416,904)	(1,937,865)	(7,531,569)
-	2,246,066	2,316,066
(2,299,846)	-	(2,316,066)
14,660,000	-	14,660,000
1,248,170	-	1,248,170
13,608,324	2,246,066	15,908,170
2,191,420	308,201	8,376,601
9,960,546	803,287	22,538,624
$ 12,151,966	$ 1,111,488	$ 30,915,225

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, 2018

Total change in fund balances, governmental funds			$ 8,376,601
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	209,735	
	Depreciation Expense	(2,696,341)	
	Net		(2,486,606)
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:			(15,908,170)
Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is:			61,336
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:			17,115,784
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:			(9,626)
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:			69,477
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:			(6,218)
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:			826,656

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:	(2,769,746)
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:	(943,504)
Change in net position of governmental activities - statement of activities	$ 4,325,984

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2018

	Enterprise Fund
	Enterprise Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 2,373,843
Accounts Receivable	17,592
Due from Other Funds	11,410
Prepaid Expenses	7,694
Total Current Assets	2,410,539
Noncurrent Assets:	
Fixed Assets-	
Buildings and Improvements	2,788,949
Accumulated Depreciation - Buildings	(347,703)
Total Noncurrent Assets	2,441,246
Total Assets	$ 4,851,785
DEFERRED OUTFLOWS OF RESOURCES:	
OPEB Related	$ 3,901
Pension Related	1,908,833
Total Outflows of Resources	$ 1,912,734
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 143,508
Due to Other Funds	208,231
Unearned Revenue	246,698
Total Current Liabilities	598,437
Noncurrent Liabilities:	
Net Pension Liability	3,873,768
Other Postemployment Benefits	791,874
Compensated Absences Payable	47,803
Total Noncurrent Liablities	4,713,445
Total Liabilities	$ 5,311,882
DEFERRED INFLOWS OF RESOURCES	
Pension Related	$ 1,156,138
Total Inflows of Resources	$ 1,156,138
NET POSITION:	
Unrestricted	$ 296,499
Total Net Position	$ 296,499

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Fund
	Enterprise Fund
Operating Revenues:	
State Revenue	$ 10,364
Interest Income	23,665
Other Local Revenue	4,588,645
Total Revenues	4,622,674
Operating Expenses:	
Certificated Personnel Salaries	227,966
Classified Personnel Salaries	2,559,920
Employee Benefits	1,115,602
Books and Supplies	201,637
Services and Other Operating Expenses	448,735
Depreciation Expense	84,304
Total Expenses	4,638,164
Change in Net Position	(15,490)
Total Net Position - Beginning (As Restated - See note S)	311,989
Total Net Position - Ending	$ 296,499

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

		Enterprise Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	$	4,643,395
Cash Payments to Employees for Services		(3,528,487)
Cash Payments to Other Suppliers for Goods and Services		(654,047)
Net Cash Provided (Used) by Operating Activities		460,861
Cash Flows from Investing Activities:		
Interest and Dividends on Investments		18,413
Net Cash Provided (Used) for Investing Activities		18,413
Net Increase (Decrease) in Cash and Cash Equivalents		479,274
Cash and Cash Equivalents at Beginning of Year		1,894,569
Cash and Cash Equivalents at End of Year	$	2,373,843
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$	(15,490)
Adjustment to Beginning Net Position		(271,225)
Depreciation Expense		84,304
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables		(3,218)
Decrease (Increase) in Due From		4,053
Decrease (Increase) in Prepaid Expenses		(1,584)
Decrease (Increase) in Deferred Outflows of Resources		(357,426)
Increase (Decrease) in Accounts Payable		38,716
Increase (Decrease) in Due To		14,767
Increase (Decrease) in Unearned Revenue		48,664
Increase (Decrease) in Net Pension Liability		(120,401)
Increase (Decrease) in Total OPEB Liability		347,348
Increase (Decrease) in Compensated Absences Payable		(11,148)
Increase (Decrease) in Deferred Inflows of Resources		721,914
Total Adjustments		494,764
Net Cash Provided (Used) by Operating & Investing Activities	$	479,274

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-Purpose Trust Funds
	Foundation Private-Purpose Trust Fund
ASSETS:	
Cash in County Treasury	$ 32,835
Accounts Receivable	150
Total Assets	32,985
LIABILITIES:	
Total Liabilities	-
NET POSITION:	
Held in Trust	$ 32,985
Total Net Position	$ 32,985

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, 2018

	Foundation Private-Purpose Trust
Additions:	
Investment Income	$ 493
Total Additions	493
Deductions:	
Administrative Expenses	-
Total Deductions	-
Change in Net Position	493
Net Position-Beginning of the Year	32,492
Net Position-End of the Year	$ 32,985

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The 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.

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, 2018 were $1,228,000 which is equal to 2.13% 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.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Special Reserve Fund for Capital Projects. This fund is used to set aside District funds for capital projects.

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.

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, claimes and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term 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.

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 ommitted from these statememts.

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

c. Capital Assets

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

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

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

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

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, 2018. Those newly implemented pronouncements are as follows:

GASB 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 (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also 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 for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note P. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note S.

GASB 81 - Irrevocable Split-Interest Agreements

The primary 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. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also 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. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were 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). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 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 proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool ($33,584,686 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $33,584,686**.** 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 ($317,408 as of June 30, 2018) and in the revolving fund ($25,000) are insured up to $250,000 by the Federal Depository Insurance Corporation.

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

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

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

4. Cash With Fiscal Agent

The District's cash with fiscal agent at June 30, 2018 are shown below.

Account Type	Maturity	Amount Reported
Blackrock Treasury Funds	<30 Days	$ 322,375
Total Cash With Fiscal Agent		$ 322,375

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

As of June 30, 2018, 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.

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, 2018, are as follows:

	Major Governmental Funds				
	General Fund	Special Reserve Fund For Capital Outlay	Capital Projects Fund For Blended Component Unit	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Federal Programs	$ 38,039	$ -	$ -	$ 32,089	$ 70,128
State Government:					
Lottery	190,872	-	-	-	190,872
Special Education	65,909	-	-	-	65,909
Other State Programs	14,027	-	-	1,691	15,718
Local Sources:					
Interest	76,481	20,519	52,609	4,462	154,071
Other Local Revenues	84,474	-	-	7,273	91,747
Total	$ 469,802	$ 20,519	$ 52,609	$ 45,515	$ 588,445

	Enterprise Fund	Foundation Trust Fund	Total Other Funds
Local Sources:			
Interest	$ 9,052	$ 150	$ 9,202
Other Local Revenues	8,540	-	8,540
Total	$ 17,592	$ 150	$ 17,742

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2018, 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	-	-	-	-
Total capital assets not being depreciated	36,813,151	-	-	36,813,151
Capital assets being depreciated:				
Buildings	102,149,156	-	-	102,149,156
Improvements	3,324,510	-	-	3,324,510
Equipment	3,663,273	209,735	208,413	3,664,595
Total capital assets being depreciated	109,136,939	209,735	208,413	109,138,261
Less accumulated depreciation for:				
Buildings	(31,706,725)	(2,288,474)	-	(33,995,199)
Improvements	(1,729,103)	(124,233)	-	(1,853,336)
Equipment	(1,823,421)	(283,634)	(198,787)	(1,908,268)
Total accumulated depreciation	(35,259,249)	(2,696,341)	(198,787)	(37,756,803)
Total capital assets being depreciated, net	73,877,690	(2,486,606)	9,626	71,381,458
Governmental activities capital assets, net	$ 110,690,841	$ (2,486,606)	$ 9,626	$ 108,194,609

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Buildings	2,788,949	-	-	2,788,949
Total capital assets being depreciated	2,788,949	-	-	2,788,949
Less accumulated depreciation for:				
Buildings	(263,399)	(84,304)	-	(347,703)
Total accumulated depreciation	(263,399)	(84,304)	-	(347,703)
Total capital assets being depreciated, net	2,525,550	(84,304)	-	2,441,246
Business-type activities capital assets, net	$ 2,525,550	$ (84,304)	$ -	$ 2,441,246

Depreciation was charged to functions as follows:

	Governmental Activities	Business Type Activities
Instruction	$ 1,949,551	$ -
Instruction-Related Services	49,673	-
Enterprise	-	84,304
General Administration	95,775	-
Plant Services	601,342	-
	$ 2,696,341	$ 84,304

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund		Amount	Purpose
General Fund	Capital Project Fund	$	70,000	CFD administration fee
General Fund	Capital Project Fund		1,182	Reimbursement of expenses
General Fund	Enterprise Fund		3,901	OPEB expenses
General Fund	Enterprise Fund		204,330	Reimbursement of expenses
General Fund	Nonmajor Govt. Fund		8,000	Reimbursement of expenses
Special Reserve Fund	General Fund		66,143	Reimbursement of expenses
Capital Project Fund	General Fund		1,770	Reimbursement of expenses
Nonmajor Govt. Fund	General Fund		93,121	Deferred maintenance transfer
Nonmajor Govt. Fund	General Fund		22,638	Reimbursement of expenses
Nonmajor Govt. Fund	Capital Project Fund		17,625	Reimbursement of expenses
Enterprise Fund	General Fund		11,410	Reimbursement of expenses
Capital Project Fund	Capital Project Fund		92	Reimbursement of expenses
	Total	$	500,212	

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, 2018, 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		2,229,846	CFD debt service payments
General Fund	Nonmajor Govt. Fund		16,220	Reimbursement of expenses
	Total	$	2,316,066	

G. Accounts Payable

Accounts payable as of June 30, 2018 are as follows:

	Major Governmental Funds				
	General Fund	Special Reserve Fund For Capital Outlay	Capital Projects Fund For Blended Component Unit	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 443,880	$ -	$ 16,190	$ 59,860	$ 519,930
LCFF Repayment	9,928	-	-	-	9,928
Pension related liabilities	454,830	-	-	1,215	456,045
Payroll and related benefits	527,449	-	-	-	527,449
Total	$ 1,436,087	$ -	$ 16,190	$ 61,075	$ 1,513,352

	Enterprise Fund
Vendor payables	$ 16,627
Pension related liabilities	32,051
Payroll and related benefits	94,830
Total	$ 143,508

H. Unearned Revenue

Unearned revenue as of June 30, 2018, are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Local Sources:			
Site donations	$ 159,000	$ -	$ 159,000
Prepaid meals	-	40,480	40,480
Total	$ 159,000	$ 40,480	$ 199,480

	Enterprise Fund
Local Sources:	
Prepaid child care fees	$ 246,698
Total	$ 246,698

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. For the year ended June 30, 2018 the District did not issue any short term debt.

J. Components of Ending Fund Balance

Ending fund balance for the year ended June 30, 2018, consisted of:

	Major Governmental Funds				
	General Fund	Special Reserve Fund For Capital Outlay	Capital Projects Fund For Blended Component Unit	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	$ 25,000	$ -	$ -	$ -	$ 25,000
Total Nonspendable	25,000	-	-	-	25,000
Restricted Fund Balances					
Capital Projects	-	-	12,151,966	534,969	12,686,935
Educational Programs	128,927	-	-	-	128,927
Ongoing Major Maintenance	16,805	-	-	-	16,805
Total Restricted	145,732	-	12,151,966	534,969	12,832,667
Committed Fund Balances					
Deferred Maintenance	-	-	-	576,519	576,519
Total Committed	-	-	-	576,519	576,519
Assigned Fund Balances					
Capital Projects	204,590	5,562,428	-	-	5,767,018
Post Retirement Benefits	1,228,931	-	-	-	1,228,931
School & Dept. Carryover	290,000	-	-	-	290,000
Total Assigned	1,723,521	5,562,428	-	-	7,285,949
Unassigned Fund Balances					
For Economic Uncertainty	1,699,182	-	-	-	1,699,182
Other Unassigned	8,495,908	-	-	-	8,495,908
Total Unassigned	10,195,090	-	-	-	10,195,090
Total Fund Balance	$ 12,089,343	$ 5,562,428	$ 12,151,966	$ 1,111,488	$ 30,915,225

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, 2018, are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Special Tax Bonds					
Principal Balance	$ 20,000,000	$ 14,660,000	$ 16,857,500	$ 17,802,500	392,500
Bond Premium	58,361	1,248,170	81,888	1,224,643	23,627
Bond Discount	(37,304)	-	(5,329)	(31,975)	(1,075)
Total Special Tax Bonds	20,021,057	15,908,170	16,934,059	18,995,168	415,052
Capital leases	376,019	-	244,463	131,556	131,556
Total OPEB Liability	9,487,847	857,461	-	10,345,308	-
Net Pension Liability	51,847,631	10,016,934	-	61,864,565	-
Compensated absences *	280,862	6,218	-	287,080	287,080
Total governmental activities	$ 82,013,416	$ 26,788,783	$ 17,178,522	$ 91,623,677	$ 833,688
Business-type activities:					
Total OPEB Liability	$ 726,240	$ 65,634	$ -	$ 791,874	-
Net Pension Liability	3,994,169	-	120,401	3,873,768	-
Compensated absences *	58,952	-	11,149	47,803	47,803
Total business-type activities	$ 4,779,361	$ 65,634	$ 131,550	$ 4,713,445	$ 47,803

* 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. 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.

On August 30, 2017 the Community Facilities District No. 95-1 of the District issued refunding bonds in order to refund the 2007 special tax bonds issued under the Mello-Roos Community Facilities Act of 1982. The bonds were issued with maturity dates beginning in September 2018 and extending through September 2036 with coupons varying in interest rates 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.

A summary of special tax bonds outstanding as of June 30, 2018, 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
2017 Tax Refunding Bonds	08/30/17	2.00 - 5.00%	09/01/36	14,660,000
Total Special Tax Bonds				$ 44,535,000

	Beginning Balance	Increases	Decreases	Ending Balance
2007 Special Tax Bonds				
Principal Balance	$ 16,010,000	$ -	$ 16,010,000	$ -
Unamortized Premium	58,361	-	58,361	-
Total 2007 Bonds	16,068,361	-	16,068,361	-
2012 Tax Refunding Bonds				
Principal Balance	3,990,000	-	570,000	3,420,000
Unamortized Discount	(37,304)	-	(5,329)	(31,975)
Total 2012 Bonds	3,952,696	-	564,671	3,388,025
2017 Tax Refunding Bonds				
Principal Balance	-	14,660,000	277,500	14,382,500
Unamortized Premium	-	1,248,170	23,527	1,224,643
Total 2017 Bonds	-	15,908,170	301,027	15,607,143
Total Special Tax Bonds	$ 20,021,057	$ 15,908,170	$ 16,934,059	$ 18,995,168

The annual requirements to amortize the bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 392,500	$ 694,191	$ 1,086,691
2020	680,000	679,706	1,359,706
2021	700,000	656,081	1,356,081
2022	725,000	625,581	1,350,581
2023	760,000	590,444	1,350,444
2024-2028	4,380,000	2,353,934	6,733,934
2029-2033	5,470,000	1,296,663	6,766,663
2034-2038	4,495,000	377,194	4,872,194
2039-2043	200,000	4,875	204,875
Totals	$ 17,802,500	$ 7,278,669	$ 25,081,169

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.

2017 special tax bonds issued on August 30, 2017 were issued at a premium. The premium is being amortized over the life of the bonds using the effective interest method.

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

	2007 Bond	2017 Bond
Total Interest Payments on Bonds	$ 17,132,453	$ 5,702,600
Less Bond Premium	(86,561)	(1,248,170)
Net Interest Payments	17,045,892	4,454,430
Par amount of Bonds	19,955,000	14,660,000
Periods	30	19
Effective Interest Rate	2.847%	1.599%

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 effective interest method.

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

	2012 Bond
Total Interest Payments on Bonds	$ 6,972,085
Plus Bond Discount	82,440
Net Interest Payments	7,054,525
Par amount of Bonds	9,920,000
Periods	26
Effective Interest Rate	2.735%

3. 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%.

A summary of the district's capital leases outstanding as of June 30, 2018 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				$ 938,241

	Beginning Balance	Increases	Decreases	Ending Balance
2014 Apple Financial	$ 115,458	$ -	$ 115,458	$ -
2016 Apple Financial	176,633	-	87,659	88,974
2017 Wells Fargo	83,928	-	41,346	42,582
Total Capital Leases	$ 376,019	$ -	$ 244,463	$ 131,556

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 131,556	$ 2,608	$ 134,164
2020	-	-	-
Totals	$ 131,556	$ 2,608	$ 134,164

4. Economic Gain on 2017 Refunding Bonds

On August 30, 2017 CFD 95-1 issued $14,660,000 of Refunding Special Tax Bonds The refunding bonds bear fixed interest rates ranging from 2.00 - 5.00% with annual maturities from September 1, 2018 through September 1, 2036. The net proceeds (including premiums of $1,248,170) were used to refund the 2007 Special Tax Bonds.

Economic Gain on the refunding is as follows:

	2017 Bonds
Prior Debt Service Payments Remaining	$ 24,740,409
Prior Receipts	(921,958)
Refunding Debt Service	(20,362,600)
Savings in Total Debt Service Payments	3,455,851
Discount to Present Value at issue date (2.7264767%)	(726,882)
Economic Gain (Present Value of Savings)	$ 2,728,969

5. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $334,883. This amount is included as part of long-term liabilities in the government-wide financial statements.

6. Net Pension Liability

The District's beginning net pension liability was $55,841,800 and increased by $9,896,533 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $65,738,333. See Note N for additional information regarding the net pension liability.

7. Total OPEB Liability

The District's beginning OPEB liability was $10,214,087 and increased during the year ended June 30, 2018 by $923,095. The ending OPEB liability at June 30, 2018 was $11,137,182. See Note P for additional information regarding the net pension liability.

L. 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, 2018 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, 2018 is as follows:

	Dental	Health & Welfare	Vision	Total FBC
Total Assets	$ 122,118	$ N/A	$ 122,773	$ 244,891
Total Liabilities	76,129	N/A	13,055	89,184
Total Net Position	$ 45,989	$ N/A	$ 109,718	$ 155,707
Total Cash Receipts	467,495	N/A	55,490	522,985
Total Cash Disbursements	566,707	N/A	65,087	631,794
Change in Net Position	$ (99,212)	$ N/A	$ (9,597)	$ (108,809)

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

M. 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

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.

N. 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.

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.403%	7.403%

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

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.5%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. 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.

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 ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

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, 2017 (measurement date) the State contributed 7.403% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). 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. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.650%	$ 1,183,262
2017	5.570%	1,561,429
2018	7.403%	2,092,771

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	$ 2,260,130
2017	3,853,571
2018	1,271,710

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Governmental Contributions - Employer	$ 3,497,636	$ 988,879	$ 4,486,515
Governmental Contributions - State On Behalf Payments	2,075,716	-	2,075,716
Total Governmental Contributions	5,573,352	988,879	6,562,231
Business Type Contributions - Employer	26,502	261,936	288,438
Business Type Contributions - State On Behalf Payments	17,056	-	17,056
Total Business Type Contributions	43,558	261,936	305,494
Total Contributions	$ 5,616,910	$ 1,250,815	$ 6,867,725

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liabiltiy - Governmental	$ 48,629,813	$ 13,234,752	$ 61,864,565
Proportionate Share of Net Pension Liability - Business Type	368,071	3,505,697	3,873,768
Total Proportionate Share of Net Pension Liability	$ 48,997,884	$ 16,740,449	$ 65,738,333

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, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS			
	District's Proportionate Share Governmental	District's Proportionate Share Business Type	State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.0506%	0.0006%	0.0293%	0.0805%
Proportion June 30, 2018	0.0526%	0.0004%	0.0315%	0.0845%
Change in Proportion	0.0020%	-0.0002%	0.0022%	0.0040%

	CalPERS		
	District's Proportionate Share Governmental	District's Proportionate Share Business Type	Total For District Employees
Proportion June 30, 2017	0.0554%	0.0176%	0.0730%
Proportion June 30, 2018	0.0554%	0.0147%	0.0701%
Change in Proportion	-	-0.0029%	-0.0029%

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	Governmental Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 7,728,022	$ 2,288,913	$ 10,016,935
State On Behalf Pension Expense	1,261,346	-	1,261,346
Employer Contributions to Pension Expense	4,045,914	1,177,954	5,223,868
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(564,657)	(188,531)	(753,188)
Differences between actual and expected experiences	(167,848)	(69,049)	(236,897)
Changes in assumptions	(8,408,392)	(2,062,020)	(10,470,412)
Changes in proportionate share	(1,104,848)	37,449	(1,067,399)
Net difference between projected and actual earnings	3,383	770,460	773,843
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(5,025)	-	(5,025)
Changes in assumptions	-	(131,685)	(131,685)
Changes in proportionate share	(401,026)	(23,515)	(424,541)
Net difference between projected and actual earnings	4,602,572	465,544	5,068,116
Total Pension Expense	$ 6,989,441	$ 2,265,520	$ 9,254,961

	Business Type Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ (141,912)	$ 21,513	$ (120,399)
State On Behalf Pension Expense	10,364	-	10,364
Employer Contributions to Pension Expense	33,243	284,894	318,137
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(6,741)	(22,958)	(29,699)
Differences between actual and expected experiences	(1,270)	(12,934)	(14,204)
Changes in assumptions	(63,642)	(546,200)	(609,842)
Changes in proportionate share	5,358	59,079	64,437
Net difference between projected and actual earnings	41	235,743	235,784
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(58)	-	(58)
Changes in assumptions	-	(38,092)	(38,092)
Changes in proportionate share	150,461	463,275	613,736
Net difference between projected and actual earnings	34,836	111,493	146,329
Total Pension Expense	$ 20,680	$ 555,813	$ 576,493
Total Pension Expense - Government Wide	$ 7,010,121	$ 2,821,333	$ 9,831,454

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Governmental Activities			
Pension contributions subsequent to measurement date	$ 4,045,914	$ 1,177,954	$ 5,223,868
Differences between actual and expected experience	167,848	613,910	781,758
Changes in assumptions	8,408,392	2,062,020	10,470,412
Changes in employer's proportionate share	1,699,375	123,217	1,822,592
Net difference between projected and actual earnings	8,398	1,984,197	1,992,595
Total Deferred Outflows of Resources - Governmental Activities	14,329,927	5,961,298	20,291,225
Business Type Activities			
Pension contributions subsequent to measurement date	33,243	284,894	318,137
Differences between actual and expected experience	1,270	175,696	176,966
Changes in assumptions	63,642	546,200	609,842
Changes in employer's proportionate share	13,966	177,238	191,204
Net difference between projected and actual earnings	100	612,584	612,684
Total Deferred Outflows of Resources - Business Type Activities	112,221	1,796,612	1,908,833
Total Deferred Outflows of Resources	$ 14,442,148	$ 7,757,910	$ 22,200,058

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Governmental Activities			
Differences between actual and expected experience	$ (8,466)	$ -	$ (8,466)
Changes in assumptions	-	(263,371)	(263,371)
Changes in employer's proportionate share	(1,203,078)	(47,031)	(1,250,109)
Net difference between projected and actual earnings	(4,602,572)	(1,540,123)	(6,142,695)
Total Deferred Inflows of Resources - Governmental Activities	(5,814,116)	(1,850,525)	(7,664,641)
Business Type Activities			
Differences between actual and expected experience	(96)	-	(96)
Changes in assumptions	-	(76,183)	(76,183)
Changes in employer's proportionate share	(150,461)	(474,781)	(625,242)
Net difference between projected and actual earnings	(34,836)	(419,781)	(454,617)
Total Deferred Inflows of Resources - Business Type Activities	(185,393)	(970,745)	(1,156,138)
Total Deferred Inflows of Resources	$ (5,999,509)	$ (2,821,270)	$ (8,820,779)

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. 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:

	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		
Year Ended June 30,	CalSTRS	CalPERS	CalSTRS	CalPERS	Net Effect on Expenses
2019	$ 6,717,289	$ 2,730,574	$ (1,556,694)	$ (943,200)	$ 6,947,969
2020	2,671,373	1,552,619	(1,554,835)	(405,909)	2,263,248
2021	2,471,449	1,102,951	(1,551,944)	(250,709)	1,771,747
2022	2,469,816	575,154	(1,150,643)	(250,707)	1,643,620
Total	$ 14,329,927	$ 5,961,298	$ (5,814,116)	$ (1,850,525)	$ 12,626,584

	Business Type Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		
Year Ended June 30,	CalSTRS	CalPERS	CalSTRS	CalPERS	Net Effect on Expenses
2019	$ 54,870	$ 781,435	$ (46,381)	$ (379,259)	$ 410,665
2020	21,625	496,539	(46,359)	(225,113)	246,692
2021	19,501	366,468	(46,328)	(183,187)	156,454
2022	16,225	152,170	(46,325)	(183,186)	(61,116)
Total	$ 112,221	$ 1,796,612	$ (185,393)	$ (970,745)	$ 752,695

c. Actuarial Assumptions

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

	CalSTRS		CalPERS	
Valuation Date	June 30, 2016		June 30, 2016	
Measurement Date	June 30, 2017		June 30, 2017	
Actuarial Cost Method	Entry Age Normal		Entry Age Normal	
Actuarial Assumptions:				
Discount Rate	7.10%		7.15%	
Inflation	2.75%		2.75%	
Wage Growth	3.50%		3.00%	
Projected Salary Increase	0.5% - 6.4%	(1)	3.10% - 9.00%	(1)
Investment Rate of Return	7.10%	(2)	7.50%	(2)
Mortality	0.073%-22.86%	(3)	0.466%-32.536%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% 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 CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

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 valuation 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 06/30/2017	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

CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

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

e. Sensititivity 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:

	CalSTRS		
	Governmental Activities	Business Type Activities	Total
1% Decrease	6.10%	6.10%	6.10%
Net Pension Liability	$ 71,404,004	$ 540,446	$ 71,944,450
Current Discount Rate	7.10%	7.10%	7.10%
Net Pension Liability	$ 48,629,813	$ 368,071	$ 48,997,884
1% Increase	8.10%	8.10%	8.10%
Net Pension Liability	$ 30,147,013	$ 228,178	$ 30,375,191

	CalPERS		
	Governmental Activities	Business Type Activities	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	$ 19,472,561	$ 5,158,004	$ 24,630,565
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	$ 13,234,752	$ 3,505,697	$ 16,740,449
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	$ 8,059,967	$ 2,134,970	$ 10,194,937

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

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, 2017 (Previously Reported)	$ 214,640,938	$ 150,341,832	$ 64,299,106	$ 23,397,314	$ 40,901,792
Changes for the year:					
Change in proportionate share	11,644,312	8,156,074	3,488,238	1,859,459	1,628,779
Service cost	5,082,299	-	5,082,299	1,893,605	3,188,694
Interest	16,952,451	-	16,952,451	6,316,285	10,636,166
Differences between expected and actual experience	334,406	-	334,406	124,596	209,810
Change in assumptions	16,752,143	-	16,752,143	6,241,653	10,510,490
Contributions:					
Employer	-	3,497,630	(3,497,630)	(1,303,176)	(2,194,454)
Employee	-	2,883,838	(2,883,838)	(1,074,485)	(1,809,353)
State On Behalf	-	2,077,029	(2,077,029)	(773,877)	(1,303,152)
Net investment income	-	21,091,189	(21,091,189)	(7,858,331)	(13,232,858)
Other income	-	60,348	(60,348)	(22,485)	(37,863)
Benefit payments, including refunds of employee contributions	(11,651,861)	(11,651,861)	-	-	-
Administrative expenses	-	(152,844)	152,844	56,948	95,896
Borrowing costs	-	(48,575)	48,575	18,099	30,476
Other expenses	-	(8,591)	8,591	3,201	5,390
Net Changes	39,113,750	25,904,237	13,209,513	5,481,492	7,728,021
Balance at June 30, 2018	$ 253,754,688	$ 176,246,069	$ 77,508,619	$ 28,878,806	$ 48,629,813

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, 2017 (Previously Reported)	$ 2,677,090	$ 1,875,125	$ 801,965	$ 291,981	$ 509,984
Changes for the year:					
Change in proportionate share	(965,323)	(676,144)	(289,179)	(101,102)	(188,077)
Service cost	38,446	-	38,446	14,311	24,135
Interest	128,239	-	128,239	47,736	80,503
Differences between expected and actual experience	2,530	-	2,530	942	1,588
Change in assumptions	126,724	-	126,724	47,172	79,552
Contributions:					
Employer	-	26,458	(26,458)	(9,849)	(16,609)
Employee	-	21,815	(21,815)	(8,120)	(13,695)
State On Behalf	-	15,712	(15,712)	(5,849)	(9,863)
Net investment income	-	159,547	(159,547)	(59,390)	(100,157)
Other income	-	457	(457)	(170)	(287)
Benefit payments, including refunds of employee contributions	(88,142)	(88,142)	-	-	-
Administrative expenses	-	(1,156)	1,156	430	726
Borrowing costs	-	(367)	367	137	230
Other expenses	-	(65)	65	24	41
Net Changes	(757,526)	(541,885)	(215,641)	(73,728)	(141,913)
Balance at June 30, 2018	$ 1,919,564	$ 1,333,240	$ 586,324	$ 218,253	$ 368,071

CalPERS - Governmental Activities

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 41,933,809	$ 30,987,969	$ 10,945,840
Changes for the year:			
Adjustment for change in proportionate share	13,017	9,620	3,397
Service cost	1,126,472	-	1,126,472
Interest	3,171,019	-	3,171,019
Differences between expected and actual experience	294,859	-	294,859
Changes in assumptions	2,577,525	-	2,577,525
Contributions - Employer	-	988,886	(988,886)
Contributions - Employee	-	497,531	(497,531)
Net plan to plan resource movement	-	(75)	75
Net investment income	-	3,443,749	(3,443,749)
Benefit payments, including refunds of employee contributions	(2,065,053)	(2,065,053)	-
Administrative expenses	-	(45,731)	45,731
Net Changes	5,117,839	2,828,927	2,288,912
Balance at June 30, 2018	$ 47,051,648	$ 33,816,896	$ 13,234,752

CalPERS - Business Type Activities

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 13,348,007	$ 9,863,822	$ 3,484,185
Changes for the year:			
Adjustment for change in proportionate share	(2,236,891)	(1,653,002)	(583,889)
Service cost	298,386	-	298,386
Interest	839,958	-	839,958
Differences between expected and actual experience	78,104	-	78,104
Changes in assumptions	682,750	-	682,750
Contributions - Employer	-	261,942	(261,942)
Contributions - Employee	-	131,789	(131,789)
Net plan to plan resource movement	-	(20)	20
Net investment income	-	912,200	(912,200)
Benefit payments, including refunds of employee contributions	(547,003)	(547,003)	-
Administrative expenses	-	(12,114)	12,114
Net Changes	(884,696)	(906,208)	21,512
Balance at June 30, 2018	$ 12,463,311	$ 8,957,614	$ 3,505,697

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

O. 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.

P. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan (the Plan), provides OPEB for all permanent fulltime employees of the District. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lies with the District's board of directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The District 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 ($10,000). The annual maximum is subject to periodic changes. Hourly and most part-time employees are not eligible for retiree health benefits.

Eligibility for retiree health coverage requires retirement from PERS or STRS on or after age 55 with age plus District years of service greater than or equal to 75. The District does not provide any retiree health benefits after a retiree turns 65. Dependent coverage ceases upon the death of the retiree or when the retiree turns age 65.

The District currently offers a Kaiser HMO Plan, three Anthem HMO Plans, an Anthem PPO Plan and an Anthem High Deductible Health Plan. The District also offers a self-insured Delta Dental Plan and a self-insured VSP Vision Plan through the San Diego FBC.

The premiums billed for retiree medical coverage under age 65 are the same as those for active medical coverage. Thus, the District is providing a “rate subsidy” to the retirees based on this blended rate. GASB 45 requires that when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently. This requires valuing any “rate subsidy” as an additional financial obligation to the District.

The following table summarizes the current monthly funding rates for coverages that apply to active and retired employees. All premiums are monthly and are effective for the calendar year.

	Kaiser HMO	Anthem BC HMO Premier	Anthem BC HMO Select High RX	Anthem BC HMO Select Low RX
Employee Only	$ 565	$ 625	$ 569	$ 540
Employee Plus One	1,129	1,257	1,139	1,089
Employee Plus Family	1,467	1,635	1,480	1,416

	Anthem BC PPO	Anthem BC HDHP	Delta Dental	VSP Vision
Employee Only	$ 812	$ 591	$ N/A	$ N/A
Employee Plus One	1,587	1,183	N/A	N/A
Employee Plus Family	2,057	1,536	N/A	N/A
Composite	N/A	N/A	99	11

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	376
Total number of participants	381

2. Total OPEB Liability

The District's total OPEB liability of $11,137,182 was measured as of June 30, 2017 , and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.75%
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.40%
Healthcare Cost Trend Rates	6.50% decreasing to 5.50%
Retiree's Share of Costs	None

The discount rate was based on an average, rounded to five basis points, of the range of 3-20 year municipal bond rate indicies: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, and Fidelity GO AA 20 Year Bond index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	Governmental Activities	Business Type Activities	Total
Balance at June 30, 2017	$ 9,487,847	$ 726,240	$ 10,214,087
Changes for the year:			
Service cost	652,041	49,910	701,951
Interest	342,427	26,211	368,638
Benefit payments	(137,007)	(10,487)	(147,494)
Net changes	857,461	65,634	923,095
Balance at June 30, 2018	$ 10,345,308	$ 791,874	$ 11,137,182

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

Sensitivity of the Total OPEB Liabiltiy to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.40%) or 1-percentage-point-higher (4.40%) than the current discount rate:

	1% Decrease 2.40%	Discount Rate 3.40%	1% Increase 4.40%
Total OPEB Liability - Governmental Activities	$ 11,379,839	$ 10,345,308	$ 9,414,230
Total OPEB Liability - Business Type Activities	893,092	791,874	679,131
Total OPEB Liability - District Wide	$ 12,272,931	$ 11,137,182	$ 10,093,361

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	5.50% decreasing to 4.00%	6.50% decreasing to 5.00%	7.50% decreasing to 6.00%
Total OPEB Liability - Governmental Activities	$ 9,000,418	$ 10,345,308	$ 11,897,104
Total OPEB Liability - Business Type Activities	699,920	791,874	933,774
Total OPEB Liability - District Wide	$ 9,700,338	$ 11,137,182	$ 12,830,878

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of $1,070,589. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Governmental Activities	Business Type Activities	Total
Contributions made subsequent to measurement date	$ 50,964	$ 3,901	$ 54,865

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Governmental Activities	Business Type Activities	Total
2019	$ 50,964	$ 3,901	$ 54,865

Q. 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 2017 the District issued refunding special tax bonds to repay the 2007 special tax bonds outstanding. The refunding resulted in an overall increase in long term liabilities of $761,767 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 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.

In accordance with GASB Statement No. 75, payments made subsequent to the OPEB liability measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2018, is as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Governmental					
2012 Refunding Loss	26 Years	$ 256,740	$ -	$ 11,670	245,070
2017 Refunding Loss	19 Years	-	761,767	-	761,767
OPEB Related	Varies	137,007	50,964	137,007	50,964
Pension Related	Varies	8,537,172	20,448,730	8,694,677	20,291,225
Total Governmental		8,930,919	21,261,461	8,843,354	21,349,026
Business Type					
OPEB Related	Varies	10,487	3,901	10,487	3,901
Pension Related	Varies	1,555,309	1,160,131	806,607	1,908,833
Total Business Type		1,565,796	1,164,032	817,094	1,912,734
Total Deferred Outflows of Resources		$ 10,496,715	$ 22,425,493	$ 9,660,448	$ 23,261,760

Future amortization of deferred outflows of resources is as follows:

	Governmental Activities			
Year Ending June 30	Refunding Losses	OPEB Related	Pension Related	Total
2019	$ 51,763	$ 50,964	$ 9,447,863	$ 9,550,590
2020	51,763	-	4,223,992	4,275,755
2021	51,763	-	3,574,400	3,626,163
2022	51,763	-	3,044,970	3,096,733
2023	51,763	-	-	51,763
Thereafter	748,022	-	-	748,022
Total	$ 1,006,837	$ 50,964	$ 20,291,225	$ 21,349,026

	Business Type Activities		
Year Ending June 30	OPEB Related	Pension Related	Total
2019	3,901	836,305	840,206
2020	-	518,164	518,164
2021	-	385,969	385,969
2022	-	168,395	168,395
Total	$ 3,901	$ 1,908,833	$ 1,912,734

R. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 the District has recorded deferred inflows of resources for pension related items as prescribed by the statement in the amount of $8,820,779. The District does not have any other deferred inflows of resources recorded.

A summary of the deferred inflows of resources as of June 30, 2018, is as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related - Governmental	Varies	$ 3,157,776	$ 7,006,758	$ 2,499,893	$ 7,664,641
Pension related - Business Type	Varies	434,223	1,147,555	425,640	1,156,138
Total Deferred Inflows of Resources		$ 3,591,999	$ 8,154,313	$ 2,925,533	$ 8,820,779

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Governmental Activities Pension Related	Business Type Activities Pension Related	Total Primary Government
2019	$ 2,499,894	$ 425,640	$ 2,925,534
2020	1,960,744	271,472	2,232,216
2021	1,802,653	229,515	2,032,168
2022	1,401,350	229,511	1,630,861
Total	$ 7,664,641	$ 1,156,138	$ 8,820,779

S. Adjustment to Beginning Balance

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. In addition, the district corrected an error where prior year depreciation for business type activities was inadvertantly counted in both governmental and business type activities. The result of applying the change in accounting policy and correction to accumulated depreciation was an adjustment to beginning net position on the government wide financial statements and the enterprise fund.

A summary of adjustments to beginning balance are as follows:

	Government-Wide Financial Statements	
	Governmental Activities	Business Type Activities
Beginning Net Position - Originally Stated	$ 60,523,126	$ 583,216
Adjustments for Accounting Policy Change:		
Total OPEB Liability	(4,074,795)	(281,714)
Deferred Outflows of Resources	137,007	10,487
Adjustments for Correction of an Error:		
Accumulated Depreciation	83,885	-
Total Adjustments	(3,853,903)	(271,227)
Beginning Net Position - As Restated	$ 56,669,223	$ 311,989

	Enterprise Fund
	Childcare Program
Beginning Net Position - Originally Stated	$ 583,216
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(281,714)
Deferred Outflows of Resources - OPEB related	10,487
Total Adjustments	(271,227)
Beginning Net Position - As Restated	$ 311,989

T. 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 review 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.

U. Subsequent Events

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, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,170,350	$ 1,170,350	$ 1,160,438	$ (9,912)
Education Protection Account Funds	869,600	869,600	864,656	(4,944)
Local Sources	45,638,061	45,638,061	45,642,366	4,305
Federal Revenue	1,115,836	1,163,224	1,219,063	55,839
Other State Revenue	4,246,015	4,378,984	4,323,391	(55,593)
Other Local Revenue	3,411,232	3,633,737	4,278,903	645,166
Total Revenues	56,451,094	56,853,956	57,488,817	634,861
Expenditures:				
Current:				
Certificated Salaries	28,492,005	28,418,991	28,469,666	(50,675)
Classified Salaries	7,861,127	8,122,064	7,986,984	135,080
Employee Benefits	12,747,336	12,783,631	12,377,907	405,724
Books And Supplies	1,371,097	1,711,202	1,868,398	(157,196)
Services And Other Operating Expenditures	4,753,979	5,137,048	5,432,918	(295,870)
Other Outgo	109,000	41,319	42,081	(762)
Capital Outlay	70,000	70,000	209,734	(139,734)
Debt Service:				
Principal	246,266	246,266	244,934	1,332
Interest	5,506	5,506	6,765	(1,259)
Total Expenditures	55,656,316	56,536,027	56,639,387	(103,360)
Excess (Deficiency) of Revenues Over (Under) Expenditures	794,778	317,929	849,430	531,501
Other Financing Sources (Uses):				
Transfers In	70,000	70,000	70,000	-
Transfers Out	-	-	(16,220)	(16,220)
Total Other Financing Sources (Uses)	70,000	70,000	53,780	(16,220)
Net Change in Fund Balance	864,778	387,929	903,210	515,281
Fund Balance, July 1	11,186,133	11,186,133	11,186,133	-
Fund Balance, June 30	$ 12,050,911	$ 11,574,062	$ 12,089,343	$ 515,281

See Accompanying Notes to Required Supplementary Information

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0530%	0.0512%	0.0542%	0.0522%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 48,997,884	41,411,776	36,459,211	30,524,550	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	29,097,345	23,689,576	19,412,612	18,585,675	N/A	N/A	N/A	N/A	N/A	N/A
Total	78,095,229	65,101,352	55,871,823	49,110,225	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 28,013,816	25,438,351	25,025,983	23,145,758	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	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.40%	74.02%	76.52%	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.

EXHIBIT B-3

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 4,079,157	$ 3,524,138	$ 2,729,535	$ 2,222,307	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(4,079,157)	(3,524,138)	(2,729,535)	(2,222,307)	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
District's covered-employee payroll	$ 28,268,587	$ 28,013,816	$ 25,438,351	$ 25,025,983	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	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.

EXHIBIT B-4

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0701%	0.0731%	0.0697%	0.0567%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 16,740,449	$ 14,430,024	$ 10,273,359	$ 8,049,024	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 9,006,445	$ 8,847,708	$ 7,750,726	$ 7,454,929	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	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	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.

EXHIBIT B-5

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,462,848	$ 1,250,815	$ 1,048,188	$ 912,338	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,462,848)	(1,250,815)	(1,048,188)	(912,338)	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
District's covered-employee payroll	$ 9,418,889	$ 9,006,445	$ 8,847,708	$ 7,750,726	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	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
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
DMUSD RETIREE HEALTHCARE PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	$ 701,951	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Interest	368,638	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(147,494)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	923,095	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	10,214,087	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	$ 11,137,182	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Covered-employee payroll	$ 31,724,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Total OPEB liability as a percentage of covered-employee payroll	35.11%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category	Excess Expenditures	Reason for Excess Expenditures
General Fund:		
Certificated Salaries	$ 50,675	The District underestimated the increase from bargaining agreement increases.
Books and Supplies	157,196	The District underestimated the cost of books and supplies.
Services and Other	295,870	The District underestimated the cost of other services.
Other Outgo	762	The District underestimated the cost of tuition to the county office of education.
Debt Service Interest	1,259	The District misclassified interest expense as principal in the budget.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

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

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

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

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015 & 2016 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
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

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increases	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

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

1) Benefit Changes: In 2015, 2016, 2017 & 2018 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%. In 2018 the discount rate was changed from 7.65% to 7.15%.

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, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
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

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increases	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

1) Benefit Changes: In 2018 there were no changes to benefits.

2) Changes in Assumptions: In 2018 there were no changes in assumptions.

3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.

4) The following are the discount rates used for each period:

Year	Discount Rate
2018	3.40%

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, 2018

	Special Revenue Funds	Debt Service Fund — Blended Component Unit	Capital Projects Fund — Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 518,518	$ -	$ 523,626	$ 1,042,144
Accounts Receivable	36,007	-	9,508	45,515
Due from Other Funds	115,759	-	17,625	133,384
Total Assets	670,284	-	550,759	1,221,043
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 53,285	$ -	$ 7,790	$ 61,075
Due to Other Funds	-	-	8,000	8,000
Unearned Revenue	40,480	-	-	40,480
Total Liabilities	93,765	-	15,790	109,555
Fund Balance:				
Restricted Fund Balances	-	-	534,969	534,969
Committed Fund Balances	576,519	-	-	576,519
Total Fund Balance	576,519	-	534,969	1,111,488
Total Liabilities and Fund Balances	$ 670,284	$ -	$ 550,759	$ 1,221,043

DEL MAR UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
LCFF Sources:				
Local Sources	$ 228,247	$ -	$ -	$ 228,247
Federal Revenue	178,008	-	-	178,008
Other State Revenue	9,614	-	-	9,614
Other Local Revenue	832,961	-	136,337	969,298
Total Revenues	1,248,830	-	136,337	1,385,167
Expenditures:				
Current:				
Pupil Services	1,038,134	-	-	1,038,134
General Administration	-	-	50,990	50,990
Plant Services	4,062	-	-	4,062
Debt Service:				
Principal	-	1,395,850	-	1,395,850
Interest	-	833,996	-	833,996
Total Expenditures	1,042,196	2,229,846	50,990	3,323,032
Excess (Deficiency) of Revenues Over (Under) Expenditures	206,634	(2,229,846)	85,347	(1,937,865)
Other Financing Sources (Uses):				
Transfers In	16,220	2,229,846	-	2,246,066
Total Other Financing Sources (Uses)	16,220	2,229,846	-	2,246,066
Net Change in Fund Balance	222,854	-	85,347	308,201
Fund Balance, July 1	353,665	-	449,622	803,287
Fund Balance, June 30	$ 576,519	$ -	$ 534,969	$ 1,111,488

DEL MAR UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 36,730	$ 481,788	$ 518,518
Accounts Receivable	34,397	1,610	36,007
Due from Other Funds	22,638	93,121	115,759
Total Assets	93,765	576,519	670,284
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 53,285	$ -	$ 53,285
Unearned Revenue	40,480	-	40,480
Total Liabilities	93,765	-	93,765
Fund Balance:			
Committed Fund Balances	-	576,519	576,519
Total Fund Balance	-	576,519	576,519
Total Liabilities and Fund Balances	$ 93,765	$ 576,519	$ 670,284

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, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
LCFF Sources:			
Local Sources	$ -	$ 228,247	$ 228,247
Federal Revenue	178,008	-	178,008
Other State Revenue	9,614	-	9,614
Other Local Revenue	828,830	4,131	832,961
Total Revenues	1,016,452	232,378	1,248,830
Expenditures:			
Current:			
Pupil Services	1,038,134	-	1,038,134
Plant Services	-	4,062	4,062
Total Expenditures	1,038,134	4,062	1,042,196
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,682)	228,316	206,634
Other Financing Sources (Uses):			
Transfers In	16,220	-	16,220
Total Other Financing Sources (Uses)	16,220	-	16,220
Net Change in Fund Balance	(5,462)	228,316	222,854
Fund Balance, July 1	5,462	348,203	353,665
Fund Balance, June 30	$ -	$ 576,519	$ 576,519

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

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
Kristen Gibson	President	Four year term Expires December 2018
Erica Halpern	Clerk	Four year term Expires December 2020
Stephen Cochrane, Ph.D.	Member	Four year term Expires December 2020
Doug Rafner, Esq.	Member	Four year term Expires December 2018
Scott Wooden, Ph.D.	Member	Four year term Expires December 2018

Administration

Holly McClurg, Ph.D.
Superintendent

Shelley Petersen
Assistant Superintendent
Curriculum & Instruction

Jason Romero
Assistant Superintendent
Human Resources

Catherine Birks
Assistant Superintendent
Business Services

DEL MAR UNION SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report Certificate #66923E4E		Annual Report Certificate #C60E479B	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,248.21	N/A	2,254.11	N/A
Extended Year Special Education	6.29	N/A	6.29	N/A
Nonpublic, Nonsectarian Schools	1.41	N/A	1.57	N/A
Extended Year-Nonpublic	0.29	N/A	0.29	N/A
TK/K-3 Totals	2,256.20	N/A	2,262.26	N/A
Grades 4-6:				
Regular ADA	2,062.24	N/A	2,066.89	N/A
Extended Year Special Education	2.40	N/A	2.40	N/A
Nonpublic, Nonsectarian Schools	0.99	N/A	0.97	N/A
Grades 4-6 Totals	2,065.63	N/A	2,070.26	N/A
ADA totals	4,321.83	N/A	4,332.52	N/A

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

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

DEL MAR UNION SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	Ed. Code Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
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

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

General Fund	Budget 2019 (Note 1)	2018	2017	2016
Revenues and other financial sources	$ 58,884,690	$ 57,558,817	$ 54,980,748	$ 52,905,341
Expenditures, other uses and transfers out	58,884,690	56,655,607	55,135,418	52,426,631
Change in fund balance (deficit)	-	903,210	(154,670)	478,710
Ending fund balance	$ 12,089,343	$ 12,089,343	$ 11,186,133	$ 11,340,803
Available reserves (Note 2)	$ 11,918,610	$ 11,918,611	$ 10,933,871	$ 11,178,673
Available reserves as a percentage of total outgo (Note 3)	20.2%	21.7%	20.4%	22.0%
Total long-term debt	$ 18,580,116	$ 19,126,724	$ 20,397,076	$ 22,877,729
Average daily attendance at P-2	4,338	4,322	4,304	4,216

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 $748,540 (6.6%) over the past two years. The fiscal year 2018-19 budget projects an increase in fund balance by $0. 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 $3,751,005 over the past two years.

Average daily attendance has increased by 106 over the past two years.

Notes:

1 Budget 2019 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 $2,078,716, $2,124,489, and $1,649,341 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.

DEL MAR UNION SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	Enterprise Fund
June 30, 2018, annual financial and budget report fund balances	$ 961,092
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
To record depreciation expense for building	(84,304)
To record compensated absence activity	11,148
To record OPEB liability activity	(347,348)
To record deferred outflows of resources - OPEB related activity	3,901
To record net pension liability activity	120,401
To record deferred outflows of resources - pension related activity	353,524
To record deferred inflows of resources - pension related activity	(721,915)
Net adjustments and reclassifications	(664,593)
June 30, 2018, audited financial statement fund balances	$ 296,499

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.

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

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

Charter Schools	Charter Number	Included In Audit?
None	N/A	N/A

DEL MAR UNION SCHOOL DISTRICT **TABLE D-6**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
National School Lunch Program	10.555	13391	$ -	$ 178,008
Total U. S. Department of Agriculture			-	178,008
Total Child Nutrition Cluster			-	178,008
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
Special Education IDEA Private Schools	84.027	10115	22,690	22,690
Special Education: IDEA	84.027	13379	-	803,489
Special Education: Preschool Local	84.027	13682	-	118,200
Special Education: IDEA Mental Health	84.027	14468	-	49,788
Special Education: IDEA Preschool Staff Development	84.173	13430	-	405
Special Education: Preschool Grants	84.173	13430	-	38,233
Total Passed Through State Department of Education			22,690	1,032,805
Total U. S. Department of Education			22,690	1,032,805
Total Special Education (IDEA) Cluster			22,690	1,032,805
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Title III	84.365	14346	-	116,929
Title II Supporting Effective Education	84.367	14341	-	69,329
Total Passed Through State Department of Education			-	186,258
Total U. S. Department of Education			-	186,258
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 22,690	$ 1,397,071

The accompanying notes are an integral part of this schedule.

Basis of Presentation

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

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 6.84% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title III	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

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Del Mar Union School District, as of and for the year ended June 30, 2018, 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, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Del Mar Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2018-001.

Del Mar Union School District's Response to Findings

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

Purpose of this Report

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 14, 2018

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. Mann, 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, 2018. 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, 2018.

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Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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, 2018

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

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. Mann, 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 *2017-18 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, 2018.

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, *2017-18 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, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
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
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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

Del Mar Union School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 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, 2018

Findings and Recommendations Section

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	___	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	___	Yes	X	None 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:

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

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

3. State Awards

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding Number:	2018-001
Repeat Finding:	No
Program Name:	Attendance Reporting
Questioned Costs:	None
Type of Finding:	State Compliance - Attendance (10000)

Criteria or Specific Requirement
Determine that class attendance rosters are being signed, dated, and retained in a timely manner as proper verification of pupil attendance based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition
In review of the class rosters at Ocean Air Elementary School, teacher verification rosters were not verified by teachers timely (within a week of the attendance being taken).

The District has established procedures that the teachers enter attendance on a daily basis and although the verification of class rosters was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based upon our review, we determined there are no questioned costs or loss of attendance to be identified or justified as all class rosters had a valid teacher signature and were subsequently approved prior to the end of the fiscal year.

Cause
School site personnel were not consistently following District established procedures. Sites did not fully understand the requirements.

Effect
One school site was out of compliance with approved attendance procedures, which require that attendance reports be printed and verified by teachers within one week of the attendance week.

Context
We tested attendance at two out of eight schools sites, noting the condition at one school site.

Recommendation
Implement procedures to ensure class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of each attendance period. Retain all original rosters printed and verified by the teachers even if changes or corrections have been made as proper support that weekly attendance is being validated on a timely basis. Provide training to all school sites to District established policies and procedures surrounding documentation of attendance. Implement monitoring procedures at school sites to ensure procedures are being followed.

Views of Responsible Officials
See Corrective Action Plan

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Del Mar
union school district
Igniting Genius, Empowering Students

December 14, 2018

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Catherine Birks

Catherine Birks
Assistant Superintendent, Business Services

Findings and Questioned Costs Related to State Awards

Finding Number:	2018-001
Program Name:	Attendance Reporting
Contact Person:	Catherine Birks, Assistant Superintendent Business Services
Anticipated Completion Date:	January - June 2019
Planned Corrective Action:	Attendance policies and procedures have been reviewed and updated. Staff will provide support to staff responsible for attendance regarding best practices and procedures. Internal audits will be performed to ensure that class rosters are printed timely and are being signed, dated, and verified by teachers within one week after the end of each attendance period. All original rosters printed and verified by the teachers will be retained even if changes or corrections have been made as proper support that weekly attendance is being validated on a timely basis.

DEL MAR UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented

There were no findings reported in the prior year audit report.