



Del Mar Union School District

County of San Diego
San Diego, California

Audit Report

June 30, 2019



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Introductory Section

Del Mar Union School District
 Audit Report
 For The Year Ended June 30, 2019

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Financial Section

Independent Auditor's Report

To the Governing 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, 2019, 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 the Del Mar Union School District as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and other required supplementary information as identified 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, *2018-19 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 9, 2019 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.

William A. Kelley King & Co., LLP

El Cajon, California
December 9, 2019

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2019
(Unaudited)**

This section of the Del Mar Union School District's (District) annual financial reports presents the Management Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2019. This MD&A should be read in conjunction with the District's financial statements, which immediately follow this section.

USING THESE FINANCIAL STATEMENTS

This Annual Report includes 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 that operates governmental, business type, and internal service activities.

The Statement of Net Position and Statement of Activities present both an aggregate and a long-term view of District's financial position. Fund financial statements focus on various parts of District's operations in more detail.

FINANCIAL HIGHLIGHTS

Key financial highlights for Fiscal Year 2018-2019 are as follows:

- Total net position (including Business Type Activities) for the District are \$60,708,938.
- Outstanding Capital Lease-Purchase Debt increased from \$131,556 to \$811,604 during 2018-2019.
- The District's annual average daily attendance is 4,145.25 in 2018-2019.
- Property tax revenue increased by 6.88% in 2018-2019 over 2017-2018.

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 financial statements that present both a view of the District as a whole, and individual fund statements which 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 answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This method of accounting recognizes revenues when they are earned and expenses when they are incurred regardless of when cash is received or disbursed.

The Statement of Net Position and the Statement of Activities report the District’s net position and change in net position. The change in net position is important because it tells the reader whether, for the District as a whole, the financial position 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 are considered.

In the Statement of Net Position and the Statement of Activities, the District’s activities are divided into two categories; governmental and business type activities. All of the District’s programs and services are reported including instruction and support services, as well as operation and maintenance of facilities. 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, and 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 funding sources and spending on various programs:

- Some funds are required by State law and/or 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). A chart is provided later in this report that lists District’s funds, balances and fund types.

The Del Mar Union School District has three types of funds which are explained below:

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 of the fund and (2) the available year-end balances. The governmental funds statements provide a detailed short-term view of available financial resources to finance DMUSD 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 eight 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 six governmental funds are the Cafeteria Fund, Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, Capital Facilities Fund, Special Reserve Fund for Capital Outlay Projects and Debt Service Fund (95-1 & 99-1).

Major funds – In 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 and internal service funds are the two types of proprietary funds. The District operates an enterprise fund which is where the District accounts for the activities related to the Early Childhood Development Center (ECDC) and the After School Programs.

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 Development Center and the After School program. All the Early Childhood Development Center and After School programs were reported in this enterprise fund.

Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges. The District operates one internal service fund, the self-insurance fund which accounts for the District's self-insurance program for workers compensation, property and liability, etc.

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. These activities are excluded from the District's financial statements because DMUSD cannot use these assets to finance its operations. The District operates two fiduciary funds, the OPEB trust fund, and the foundation private purpose trust fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$60,708,938 as of June 30, 2019. 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, 2018	June 30, 2019	Change
ASSETS			
Cash	\$ 34,216,632	\$ 41,388,835	\$ 7,172,203
Receivables	606,040	2,087,301	1,481,261
Prepaid Expenses	69,030	93,352	24,322
Capital Assets:			
Land	36,813,151	36,813,151	-
Improvements	3,324,509	3,324,509	-
Buildings	104,938,105	104,938,109	4
Equipment	3,664,595	4,509,986	845,391
Work in Progress	-	526,208	526,208
Less Accumulated Depreciation	<u>(38,104,506)</u>	<u>(40,832,419)</u>	<u>(2,727,913)</u>
Total Assets	<u>145,527,557</u>	<u>152,849,032</u>	<u>7,321,476</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>23,261,760</u>	<u>21,914,808</u>	<u>(1,346,952)</u>
LIABILITIES			
Accounts Payable & Liabilities	1,893,532	3,479,463	1,585,931
Unearned Revenue	446,178	1,774,961	1,327,783
Long-Term Liabilities:			
Due within one year	881,491	1,363,557	482,066
Due in more than one year	<u>95,455,631</u>	<u>98,833,099</u>	<u>3,377,468</u>
Total Liabilities	<u>98,676,832</u>	<u>105,451,080</u>	<u>2,914,704</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>8,820,779</u>	<u>8,603,822</u>	<u>(216,957)</u>
NET POSITION			
Net Investment in Capital Assets	91,509,231	90,194,375	(1,314,856)
Restricted for:			
Capital Projects	534,969	15,495,740	14,960,771
Educational Programs	26,053	181,515	155,462
Other Purposes (Expendable)	119,679	279,617	159,938
Other Purposes (Nonexpendable)	25,000	113,511	88,511
Unrestricted	<u>(30,923,226)</u>	<u>(45,555,820)</u>	<u>(14,632,594)</u>
Total Net Position	<u>\$ 61,291,706</u>	<u>\$ 60,708,938</u>	<u>\$ (582,768)</u>

Governmental Activities

Revenue from the District's Governmental Activities is divided into Program Revenue, which funds specific program activities and General Revenue, which funds the basic on-going instructional programs and related support services. Revenues from the District's Governmental and Business Type activities were \$69,187,363 (see Table A-2) while expenditures were \$69,686,251 (see Table A-3).

Table A-2
Revenue for Governmental & Business Type Activities

	2017-2018	2018-2019	Change	% Change
Governmental Activities				
Program Revenue	\$ 6,664,009	\$ 4,150,441	\$ (2,513,568)	-38%
General Revenue	61,051,130	60,399,398	(651,732)	-1%
Total Governmental Revenue	<u>67,715,139</u>	<u>64,549,839</u>	<u>(3,165,300)</u>	<u>-5%</u>
Business Type Activities				
Program Revenue	\$ 4,588,645	\$ 4,602,298	13,650	-
General Revenue	34,029	35,229	1,200	4%
Total Business Type Revenue	<u>4,622,674</u>	<u>4,637,524</u>	<u>14,850</u>	<u>-</u>
Total Revenue	<u>\$ 72,337,813</u>	<u>\$ 69,187,363</u>	<u>\$ (3,150,450)</u>	<u>-4%</u>

The primary sources of general revenue are federal and state revenue and local property taxes which 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 and Business Type Activities

	2017-2018	2018-2019	Change	% Change
Governmental Activities				
Instruction	\$ 44,152,721	\$ 45,055,155	\$ 902,434	2%
Instruction Related Services	5,353,302	5,528,021	174,719	3%
Pupil Services	3,604,232	3,688,777	84,545	2%
General Administration	4,095,221	4,353,043	257,822	6%
Plant Services	5,843,716	5,283,263	(560,453)	-10%
Community Services	-	6,000	6,000	100%
Interest on Long Term Debt	(55,375)	703,204	758,579	-
Other Outgo	395,338	38,719	(356,619)	-90%
Depreciation (Unallocated)	-	-	-	-
Total Governmental Expenditures	<u>\$ 63,389,155</u>	<u>\$ 64,656,182</u>	<u>\$ 1,267,027</u>	<u>2%</u>
Business Type Activities				
Enterprise Activities	<u>\$ 4,638,164</u>	<u>\$ 5,030,069</u>	<u>\$ 391,905</u>	<u>8%</u>
Total Expenditures	<u>\$ 68,027,319</u>	<u>\$ 69,686,251</u>	<u>\$ 1,658,932</u>	<u>2%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance as a whole is reflected in the District's governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of over \$36 million. Below in Table A-4 is a list of all the various District funds balances at the end of the 2017-2018 and 2018-2019 fiscal years. The variance between years is also listed. The fund types are described in the Fund Financial Statements section of this report.

Table A-4
Ending Fund Balances by Type

	<u>2017-2018</u>	<u>2018-2019</u>	<u>Change</u>	<u>% Change</u>
Governmental Funds				
General Fund*	12,089,343	13,921,442	1,832,099	15%
Cafeteria Fund	-	-	-	-
Deferred Maintenance Fund	576,519	832,725	256,206	44%
Special Reserve Fund for Other Than Capital Outlay Projects*	-	400,107	400,107	100%
Capital Facilities Fund	534,969	622,242	87,273	16%
Special Reserve Fund- Capital Projects	5,562,428	6,203,453	641,025	12%
Capital Projects Funds for CFDs	12,151,965	14,873,498	2,721,533	22%
Total Governmental Funds	<u>30,915,223</u>	<u>36,853,467</u>	<u>5,938,423</u>	<u>19%</u>
Proprietary Funds				
Enterprise Fund	<u>961,092</u>	<u>181,138</u>	<u>(779,954)</u>	<u>-81%</u>
Fiduciary Funds				
Foundation Trust Fund	<u>32,985</u>	<u>33,725</u>	<u>740</u>	<u>2%</u>
Total All Funds	<u>31,909,301</u>	<u>37,068,331</u>	<u>5,159,030</u>	<u>16%</u>

*These funds are combined in the basic financial statements based on the provisions of GASB Statement No. 54.

Long-Term Debt

At year end, the District had nearly \$100 million outstanding debt in special tax bonds, capital leases payable, and other long-term debt, which represents an increase of approximately \$4 million. Details about the District's long-term debt is detailed in Table A-5 below. Additional information regarding the long-term liabilities is presented in the notes to the financial statements.

Table A-5
Outstanding Long-Term Debt

	<u>2017-2018</u>	<u>2018-2019</u>	<u>Change</u>	<u>% Change</u>
Governmental Activities				
Special Tax Bonds	18,995,168	18,273,564	(721,504)	-4%
Capital Leases	<u>131,556</u>	<u>811,605</u>	<u>680,049</u>	<u>517%</u>
Total Governmental Activities	<u>19,126,724</u>	<u>19,085,169</u>	<u>(41,555)</u>	<u>0%</u>
Business Type Activities				
Total Business Type Activities	<u>0</u>	<u>0</u>	<u>0</u>	
 Total Long-Term Debt	<u>19,126,724</u>	<u>19,085,169</u>	<u>(41,555)</u>	<u>0%</u>

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 of Trustees 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 pension accounting 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

The District's total Capital Assets as of June 30, 2019 was approximately \$109 million after depreciation.

	2017-2018	2018-2019	Change	% Change
Governmental Activities				
Land	\$ 36,813,151	\$ 36,813,151	-	-
Buildings	102,149,156	103,554,390	103,554,390	1%
Improvements	3,324,510	3,324,510	3,324,509	-
Equipment	3,664,595	4,509,986	845,391	23%
Work in Progress	-	526,208	526,208	100%
	<u>145,951,412</u>	<u>148,728,244</u>	<u>2,776,832</u>	<u>2%</u>
Accumulated Depreciation	<u>(37,756,803)</u>	<u>(40,597,145)</u>	<u>(2,840,342)</u>	<u>8%</u>
Total Governmental Activities	108,194,609	108,131,099	(63,510)	-
Business Type Activities				
Buildings	<u>2,788,949</u>	<u>1,383,719</u>	<u>(1,405,230)</u>	-50%
	2,788,949	1,373,719	(1,405,230)	
Accumulated Depreciation	<u>(347,703)</u>	<u>(235,274)</u>	<u>112,429</u>	<u>-32%</u>
Total Business Type Activities	2,525,550	1,148,445	(1,292,801)	-53%
Total Capital Assets	<u>\$ 113,132,507</u>	<u>\$ 109,279,544</u>	<u>\$ (1,356,311)</u>	<u>-1%</u>

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, please contact:

Del Mar Union School District
Assistant Superintendent, Business Services
11232 El Camino Real
San Diego, CA 92130

Basic Financial Statements

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash	\$ 39,058,045	\$ 2,330,790	\$ 41,388,835	\$ 71,467
Receivables	2,046,017	41,284	2,087,301	-
Internal Balances	205,467	(205,467)	-	-
Prepaid Expenses	88,511	4,841	93,352	-
Capital Assets:				
Land	36,813,151	-	36,813,151	-
Improvements	3,324,509	-	3,324,509	-
Buildings	103,554,390	1,383,719	104,938,109	-
Equipment	4,509,986	-	4,509,986	-
Work in Progress	526,208	-	526,208	-
Less Accumulated Depreciation	(40,597,145)	(235,274)	(40,832,419)	-
Total Assets	<u>149,529,139</u>	<u>3,319,893</u>	<u>152,849,032</u>	<u>71,467</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>20,079,427</u>	<u>1,835,381</u>	<u>21,914,808</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	3,194,337	285,126	3,479,463	-
Unearned Revenue	1,585,379	189,582	1,774,961	-
Long-Term Liabilities:				
Due Within One Year	1,314,775	48,782	1,363,557	-
Due in More Than One Year	93,869,615	4,963,484	98,833,099	-
Total Liabilities	<u>99,964,106</u>	<u>5,486,974</u>	<u>105,451,080</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,574,769</u>	<u>1,029,053</u>	<u>8,603,822</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	89,045,930	1,148,445	90,194,375	-
Restricted for:				
Capital Projects	15,495,740	-	15,495,740	-
Educational Programs	181,515	-	181,515	-
Other Purposes (Expendable)	279,617	-	279,617	-
Other Purposes (Nonexpendable)	113,511	-	113,511	-
Unrestricted	(43,046,622)	(2,509,198)	(45,555,820)	71,467
Total Net Position	<u>\$ 62,069,691</u>	<u>\$ (1,360,753)</u>	<u>\$ 60,708,938</u>	<u>\$ 71,467</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
Instruction	\$ 45,055,155	\$ 22,557	\$ 1,971,256	\$ -	\$ (43,061,342)	\$ -	\$ (43,061,342)	\$ -
Instruction-Related Services:								
Instructional Supervision and Administration	2,121,729	1,805	330,497	-	(1,789,427)	-	(1,789,427)	-
Instructional Library, Media and Technology	239,266	-	-	-	(239,266)	-	(239,266)	-
School Site Administration	3,167,026	-	117,399	-	(3,049,627)	-	(3,049,627)	-
Pupil Services:								
Home-to-School Trans- portation	677,279	-	92,318	-	(584,961)	-	(584,961)	-
Food Services	1,035,189	841,885	185,453	-	(7,851)	-	(7,851)	-
All Other Pupil Services	1,976,309	1,383	160,888	-	(1,814,038)	-	(1,814,038)	-
General Administration:								
Centralized Data Processing	1,253,679	-	15,033	-	(1,238,646)	-	(1,238,646)	-
All Other General Administration	3,099,364	-	68,785	-	(3,030,579)	-	(3,030,579)	-
Plant Services	5,283,263	-	42,732	-	(5,240,531)	-	(5,240,531)	-
Community Services	6,000	-	-	-	(6,000)	-	(6,000)	-
Interest on Long-Term Debt	703,204	-	-	-	(703,204)	-	(703,204)	-
Other Outgo - Debt Issuance costs	3,504	-	-	-	(3,504)	-	(3,504)	-
Other Outgo - Transfer of Tuition	35,215	95	298,355	-	263,235	-	263,235	-
Business-Type Activities								
Child Care Services	5,030,069	4,606,912	(4,617)	-	-	(427,774)	(427,774)	-
Component Unit								
Donations to District	1,377,000	-	-	-	-	-	-	(1,377,000)
Support Services	84,576	-	-	-	-	-	-	(84,576)
Total Expenses	\$ 71,147,827	\$ 5,474,637	\$ 3,278,099	\$ -	\$ (60,505,741)	\$ (427,774)	\$ (60,933,515)	\$ (1,461,576)
General Revenues:								
Taxes and Subventions:								
Taxes Levied for General Purposes					49,027,442	-	49,027,442	-
Taxes Levied for Other Specific Purposes					4,160,193	-	4,160,193	-
Federal and State Aid Not Restricted to Specific Programs					3,728,810	-	3,728,810	-
Interest and Investment Earnings					486,666	35,229	521,895	968
Miscellaneous					2,996,287	-	2,996,287	156
Net Fundraising Revenue					-	-	-	1,459,659
Total General Revenues					\$ 60,399,398	\$ 35,229	\$ 60,434,627	\$ 1,460,783
Change in Net Position					(106,343)	(392,545)	(498,888)	(793)
Net Position Beginning (As Restated - See Note T)					62,176,034	(968,208)	61,207,826	72,260
Net Position Ending					\$ 62,069,691	\$ (1,360,753)	\$ 60,708,938	\$ 71,467

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2019

	General Fund	Special Reserve Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 14,887,074	\$ 6,136,266
Cash on Hand and in Banks	1,734,974	-
Cash in Revolving Fund	25,000	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	1,724,647	67,187
Due from Other Funds	299,799	-
Prepaid Expenditures	88,511	-
Total Assets	<u>18,760,005</u>	<u>6,203,453</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 2,859,053	\$ -
Due to Other Funds	37,287	-
Unearned Revenue	1,542,116	-
Total Liabilities	<u>4,438,456</u>	<u>-</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	25,000	-
Prepaid Items	88,511	-
Restricted Fund Balances	461,132	-
Committed Fund Balances	-	-
Assigned Fund Balances	11,460,553	6,203,453
Unassigned:		
Reserve for Economic Uncertainty	1,813,545	-
Other Unassigned	472,808	-
Total Fund Balance	<u>14,321,549</u>	<u>6,203,453</u>
Total Liabilities and Fund Balances	<u>\$ 18,760,005</u>	<u>\$ 6,203,453</u>

The accompanying notes are an integral part of this statement.

Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
\$ 14,498,143	\$ 1,505,028	\$ 37,026,511
-	-	1,734,974
-	-	25,000
271,561	-	271,561
151,131	103,052	2,046,017
2,786	10,168	312,753
-	-	88,511
<u>14,923,621</u>	<u>1,618,248</u>	<u>41,505,327</u>
\$ 50,123	\$ 50,019	\$ 2,959,195
-	70,000	107,287
-	43,262	1,585,378
<u>50,123</u>	<u>163,281</u>	<u>4,651,860</u>
-	-	25,000
-	-	88,511
14,873,498	622,242	15,956,872
-	832,725	832,725
-	-	17,664,006
-	-	1,813,545
-	-	472,808
<u>14,873,498</u>	<u>1,454,967</u>	<u>36,853,467</u>
<u>\$ 14,923,621</u>	<u>\$ 1,618,248</u>	<u>\$ 41,505,327</u>

DEL MAR UNION SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

Total fund balances, governmental funds \$ 36,853,467

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	148,728,244	
Accumulated depreciation	(40,597,145)	
Net:		108,131,099

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 unmatrued interest owing at the end of the period was: (235,143)

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: 57,832

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	18,273,564	
Net Pension Liability	64,219,097	
Net OPEB Liability	11,573,548	
Compensated Absences Payable	306,576	
Capital Leases Payable	811,605	
Total		(95,184,390)

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: 955,068

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		239,470
Deferred inflows of resources relating to OPEB		(344,094)

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		18,827,057
Deferred inflows of resources relating to pensions		(7,230,675)

Net position of governmental activities - statement of net position \$ 62,069,691

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, 2019

	<u>General Fund</u>	<u>Special Reserve Fund</u>
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 1,183,159	\$ -
Education Protection Account Funds	864,570	-
Local Sources	48,775,314	-
Federal Revenue	1,213,532	-
Other State Revenue	7,227,645	-
Other Local Revenue	4,463,442	657,612
Total Revenues	<u>63,727,662</u>	<u>657,612</u>
Expenditures:		
Current:		
Instruction	43,405,546	-
Instruction - Related Services	5,604,783	-
Pupil Services	2,699,259	-
General Administration	4,085,076	-
Plant Services	5,099,621	16,587
Other Outgo	35,215	-
Capital Outlay	1,240,868	-
Debt Service:		
Principal	131,556	-
Interest	2,608	-
Total Expenditures	<u>62,304,532</u>	<u>16,587</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,423,130</u>	<u>641,025</u>
Other Financing Sources (Uses):		
Transfers In	400,000	-
Transfers Out	(402,529)	-
Other Sources	811,605	-
Total Other Financing Sources (Uses)	<u>809,076</u>	<u>-</u>
Net Change in Fund Balance	2,232,206	641,025
Fund Balance, July 1	12,089,343	5,562,428
Fund Balance, June 30	<u>\$ 14,321,549</u>	<u>\$ 6,203,453</u>

The accompanying notes are an integral part of this statement.

<u>Capital Project Fund for Blended Component Unit</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,183,159
-	-	864,570
-	243,944	49,019,258
-	174,721	1,388,253
-	16,221	7,243,866
4,494,976	953,034	10,569,064
<u>4,494,976</u>	<u>1,387,920</u>	<u>70,268,170</u>
-	-	43,405,546
-	-	5,604,783
-	1,036,828	3,736,087
-	10,142	4,095,218
47,847	-	5,164,055
-	-	35,215
353,630	-	1,594,498
-	675,000	806,556
-	696,966	699,574
<u>401,477</u>	<u>2,418,936</u>	<u>65,141,532</u>
<u>4,093,499</u>	<u>(1,031,016)</u>	<u>5,126,638</u>
-	1,374,495	1,774,495
(1,371,966)	-	(1,774,495)
-	-	811,605
<u>(1,371,966)</u>	<u>1,374,495</u>	<u>811,605</u>
2,721,533	343,479	5,938,243
12,151,965	1,111,488	30,915,224
<u>\$ 14,873,498</u>	<u>\$ 1,454,967</u>	<u>\$ 36,853,467</u>

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, 2019

Total change in fund balances, governmental funds \$ 5,938,243

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:

	1,594,497	
Expenditures for Capital Outlay	(2,802,794)	
Depreciation Expense	<u> </u>	
Net		(1,208,297)

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: (811,605)

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: (3,504)

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: 806,556

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: (36,040)

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: 1,528

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: (19,496)

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: (5,166)

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: (3,384,734)

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: (1,383,828)

Change in net position of governmental activities - statement of activities \$ (106,343)

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUND

JUNE 30, 2019

	Enterprise Fund
	Childcare Services
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 2,330,790
Accounts Receivable	41,284
Due from Other Funds	24,332
Prepaid Expenses	4,841
Total Current Assets	<u>2,401,247</u>
Noncurrent Assets:	
Fixed Assets-	
Buildings and Improvements	1,383,719
Accumulated Depreciation - Buildings	(235,274)
Total Noncurrent Assets	<u>1,148,445</u>
Total Assets	<u>3,549,692</u>
DEFERRED OUTFLOWS OF RESOURCES:	
OPEB Related	14,506
Pension Related	1,820,875
Total Outflows of Resources	<u>\$ 1,835,381</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 285,126
Due to Other Funds	229,799
Unearned Revenue	189,582
Total Current Liabilities	<u>704,507</u>
Noncurrent Liabilities:	
Net Pension Liability	4,066,925
Net OPEB Liability	896,559
Compensated Absences Payable	48,782
Total Noncurrent Liabilities	<u>5,012,266</u>
Total Liabilities	<u>5,716,773</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB Related	20,843
Pension Related	1,008,210
Total Inflows of Resources	<u>1,029,053</u>
NET POSITION:	
Net Investment in Capital Assets	1,148,445
Unrestricted (Deficit)	(2,509,198)
Total Net Position	<u>\$ (1,360,753)</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
	<u>Childcare Services</u>
Operating Revenues:	
State Revenue	\$ (4,617)
Childcare Service Fees	4,606,912
Interest	35,229
Total Revenues	<u>4,637,524</u>
Operating Expenses:	
Current Expenses:	
Certificated Personnel Salaries	159,010
Classified Personnel Salaries	2,903,903
Employee Benefits	1,245,801
Books and Supplies	234,933
Services and Other Operating Expenses	458,328
Depreciation Expense	28,094
Total Expenses	<u>5,030,069</u>
Change in Net Position	(392,545)
Total Net Position - Beginning, As Restated (See Note T)	(968,208)
Total Net Position - Ending	<u>\$ (1,360,753)</u>

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, 2019

	Enterprise Fund
	Childcare Services
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 4,590,479
Cash Payments for Payroll and Benefits	(3,933,313)
Cash Payments to Other Suppliers for Goods and Services	(728,189)
Net Cash Provided (Used) by Operating Activities	<u>(71,023)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	27,970
Net Cash Provided (Used) for Investing Activities	<u>27,970</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(43,053)
Cash and Cash Equivalents at Beginning of Year	2,373,843
Cash and Cash Equivalents at End of Year	<u>\$ 2,330,790</u>
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (392,545)
Depreciation Expense	28,094
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(23,692)
Decrease (Increase) in Due From	(12,922)
Decrease (Increase) in Prepaid Expenses	2,853
Decrease (Increase) in Deferred Outflows of Resources	77,353
Increase (Decrease) in Accounts Payable	141,618
Increase (Decrease) in Due To	21,568
Increase (Decrease) in Unearned Revenue	(57,116)
Increase (Decrease) in Net Pension Liability	193,157
Increase (Decrease) in Total OPEB Liability	104,685
Increase (Decrease) in Compensated Absences Payable	979
Increase (Decrease) in Deferred Inflows of Resources	(127,085)
Total Adjustments	<u>349,492</u>
Net Cash Provided (Used) by Operating & Investing Activities	<u>\$ (43,053)</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2019

	OPEB Trust Fund	Foundation Private-Purpose Trust Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ -	\$ 33,360
Investments	500,000	-
Accounts Receivable	-	365
Total Assets	<u>500,000</u>	<u>33,725</u>
LIABILITIES:		
Total Liabilities	<u>-</u>	<u>-</u>
NET POSITION:		
Held in Trust for OPEB Benefit	\$ 500,000	\$ -
Held in Trust	-	33,725
Total Net Position	<u>\$ 500,000</u>	<u>\$ 33,725</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	OPEB Trust Fund	Foundation Private- Purpose Trust
	<u> </u>	<u> </u>
Additions:		
District Contributions Outside of Trust	\$ 198,030	\$ -
District Contributions to Trust	500,000	-
Investment Income	-	740
Total Additions	<u>698,030</u>	<u>740</u>
Deductions:		
OPEB Benefits	198,030	-
Administrative Expenses	-	-
Total Deductions	<u>198,030</u>	<u>-</u>
Change in Net Position	500,000	740
Net Position-Beginning of the Year	-	32,985
Net Position-End of the Year	<u>\$ 500,000</u>	<u>\$ 33,725</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

Del Mar Schools Community Facilities Districts

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

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

a. Manifestations of Oversight

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

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

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

b. Accounting and Fiscal Matters

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

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

c. Scope of Public Service and Financial Presentation

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

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

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

Del Mar Schools Education Foundation

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

The Del Mar Schools Education Foundation (the Foundation), a California non-profit public benefit corporation, has created a permanent endowment fund that is used to support and enrich the educational programs provided to the students in the District. Distributions from the Foundation to the District during the fiscal year ending June 30, 2019 were \$1,377,000 which is equal to 2.16% of the District's general fund revenue.

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

a. Nature and Significance of Relationship

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities, business-type activities, and discretely presented component units. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

DEL MAR UNION SCHOOL DISTRICT
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Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental 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.

OPEB Trust Fund: This funds is used to report resources that are held in an irrevocable trust for the members and beneficiaries of the District's OPEB plan.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

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

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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

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

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

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

c. Capital Assets

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

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

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

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

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.

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, 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. 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 83.

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 88.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Enterprise Fund	\$ 1,360,753	The enterprise fund is in a deficit as a result of recording net OPEB obligation in accordance with GASB Statement No. 75 and net pension liability in accordance with GASB Statement No. 68.

C. Fair Value Measurements

The District reports investments at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the investment based on the best information available.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The District's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Beneficial interests in investments held by CERBT trust fund	\$ 500,000	-	-	500,000
Blackrock Treasury Funds	271,561	271,561	-	-
Total investments by fair value level	<u>\$ 771,561</u>	<u>\$ 271,561</u>	<u>\$ -</u>	<u>\$ 500,000</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 39,390,661	\$ -	\$ 39,390,661	\$ -
Total investments by fair value level	<u>\$ 39,390,661</u>	<u>\$ -</u>	<u>\$ 39,390,661</u>	<u>\$ -</u>

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.

Investments in blackrock treasury funds are amounts held by fiscal agents for community facilities districts special tax bonds.

The District invests OPEB trust funds in the California Employers' Retiree Benefit Trust (CERBT) Strategy 1 portfolio. The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The following is a reconciliation of the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Beneficial Interests in Investments Held by CERBT Trust
Balance at June 30, 2018	\$ -
Purchases/contributions of investments	500,000
Investment return, net	-
Distributions	-
Administrative expenses	-
	<hr/>
Balance at June 30, 2019	<u>\$ 500,000</u>

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$39,390,661 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$39,390,661. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$1,734,974 as of June 30, 2019) and in the revolving fund (\$25,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 & Investments

The District's cash with fiscal agent at June 30, 2019 are shown below.

<u>Account Type</u>	<u>Maturity</u>	<u>Amount Reported</u>
Blackrock Treasury Funds	<30 Days	\$ 271,561
Total Cash With Fiscal Agent & Investments		\$ 771,561

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

At June 30, 2019, credit risk for the District's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 30,390,661
Blackrock Treasury Securities	Unrated	Not Applicable	271,561
CERBT OPEB Trust Fund	Unrated	Not Applicable	500,000

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, 2019, the District's cash balances exceeded FDIC limitations by \$1,509,974. 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

E. Accounts Receivable

Accounts receivable as of June 30, 2019, are as follows:

	Major Governmental Funds				
	General Fund	Special Reserve Fund For Capital Outlay	Capital Project Fund For Blended Component Units	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Special Education	\$ 962,669	\$ -	\$ -	\$ -	\$ 962,669
Other Federal Programs	78,625	-	-	46,131	124,756
State Government:					
LCFF State Aid	12,809	-	-	-	12,809
Lottery	217,610	-	-	-	217,610
Special Education	71,187	-	-	-	71,187
Other State Programs	36,140	-	-	2,363	38,503
Local Sources:					
Interest	177,078	67,187	151,131	13,581	408,977
Other Local Revenues	168,529	-	-	40,977	209,506
Total	\$ 1,724,647	\$ 67,187	\$ 151,131	\$ 103,052	\$ 2,046,017
		Foundation Trust Fund	Total Other Funds		
Local Sources:					
Interest	\$ 16,311	\$ 365	\$ 16,676		
Other Local Revenues	24,973	-	24,973		
Total	\$ 41,284	\$ 365	\$ 41,649		

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 36,813,151	\$ -	\$ -	\$ 36,813,151
Work in progress	-	526,208	-	526,208
Total capital assets not being depreciated	<u>36,813,151</u>	<u>526,208</u>	<u>-</u>	<u>37,339,359</u>
Capital assets being depreciated:				
Buildings	103,554,390	-	-	103,554,390
Improvements	3,324,509	-	-	3,324,509
Equipment	3,664,595	1,068,289	222,898	4,509,986
Total capital assets being depreciated	<u>110,543,494</u>	<u>1,068,289</u>	<u>222,898</u>	<u>111,388,885</u>
Less accumulated depreciation for:				
Buildings	(34,219,605)	(2,335,553)	-	(36,555,158)
Improvements	(1,853,336)	(119,990)	-	(1,973,326)
Equipment	(1,908,268)	(347,251)	(186,858)	(2,068,661)
Total accumulated depreciation	<u>(37,981,209)</u>	<u>(2,802,794)</u>	<u>(186,858)</u>	<u>(40,597,145)</u>
Total capital assets being depreciated, net	<u>72,562,285</u>	<u>(1,734,505)</u>	<u>36,040</u>	<u>70,791,740</u>
Governmental activities capital assets, net	<u>\$ 109,375,436</u>	<u>\$ (1,208,297)</u>	<u>\$ 36,040</u>	<u>\$ 108,131,099</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Buildings	1,383,719	-	-	1,383,719
Total capital assets being depreciated	<u>1,383,719</u>	<u>-</u>	<u>-</u>	<u>1,383,719</u>
Less accumulated depreciation for:				
Buildings	(207,180)	(28,094)	-	(235,274)
Total accumulated depreciation	<u>(207,180)</u>	<u>(28,094)</u>	<u>-</u>	<u>(235,274)</u>
Total capital assets being depreciated, net	<u>1,176,539</u>	<u>(28,094)</u>	<u>-</u>	<u>1,148,445</u>
Business-type activities capital assets, net	<u>\$ 1,176,539</u>	<u>\$ (28,094)</u>	<u>\$ -</u>	<u>\$ 1,148,445</u>

Depreciation was charged to functions as follows:

	Governmental Activities	Business Type Activities
Instruction	\$ 2,394,550	\$ -
Instruction-Related Services	40,260	-
Community Services	6,000	-
Enterprise - Child Care Services	-	28,094
General Administration	274,219	-
Plant Services	87,765	-
	<u>\$ 2,802,794</u>	<u>\$ 28,094</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2019, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Fund	\$ 70,000	Temporary interfund loan
General Fund	Enterprise Fund	77,104	Custodial charges
General Fund	Enterprise Fund	25,139	Maintenance of Effort
General Fund	Enterprise Fund	90,169	Utilities reimbursement
General Fund	Enterprise Fund	938	Cell phone expense
General Fund	Enterprise Fund	34,016	OPEB reimbursement
General Fund	Enterprise Fund	2,432	Reclass payroll expense
Cafeteria Fund	General Fund	6,418	Payroll adjustments
Cafeteria Fund	General Fund	2,529	Contribution return
Cafeteria Fund	General Fund	227	Reclass payroll expense
Capital Facilities Fund	General Fund	995	School locator
Blended Component Unit	General Fund	2,786	Reimburse payroll
Enterprise Fund	General Fund	1,536	Reclass expense
Enterprise Fund	General Fund	2,047	Reimburse payroll
Enterprise Fund	General Fund	13,202	Site team leads
Enterprise Fund	General Fund	7,548	Homeless assistance
	Total	<u>\$ 337,086</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund	\$ 400,000	Special reserve transfer
Cafeteria Fund	General Fund	2,529	Contribution return
Blended Component Unit	Debt Service Fund	1,371,966	Debt service payments
	Total	<u>\$ 1,774,495</u>	

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

H. Accounts Payable

Accounts payable as of June 30, 2019 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	\$ 416,856	\$ -	\$ 50,123	\$ 4,343	\$ 471,322
Pension related liabilities	651,188	-	-	1,880	653,068
Payroll and related benefits	1,791,009	-	-	43,796	1,834,805
Total	\$ 2,859,053	\$ -	\$ 50,123	\$ 50,019	\$ 2,959,195
	Enterprise Fund				
Vendor payables	\$ 14,410				
Pension related liabilities	75,563				
Payroll and related benefits	195,153				
Total	\$ 285,126				

I. Unearned Revenue

Unearned revenue as of June 30, 2019, are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Local Sources:		
Site donations	\$ 161,089	\$ -	\$ 161,089
DMSEF donation	1,377,000		1,377,000
Prepaid meals	-	43,262	43,262
Other local sources	4,027	-	4,027
Total	\$ 1,542,116	\$ 43,262	\$ 1,585,378
	Enterprise Fund		
Local Sources:			
Prepaid child care fees	\$ 189,582		
Total	\$ 189,582		

J. 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, 2019 the District did not issue any short term debt.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

K. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications for governmental funds for the year ended June 30, 2019, were:

	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
Prepaid Items	88,511	-	-	-	88,511
Total Nonspendable	113,511	-	-	-	113,511
Restricted Fund Balances					
Capital Projects	-	-	14,873,498	622,242	15,495,740
Educational Programs	181,515	-	-	-	181,515
Mental Health	237,272	-	-	-	237,272
Professional Development	25,540	-	-	-	25,540
Ongoing Major Maintenance	16,805	-	-	-	16,805
Total Restricted	461,132	-	14,873,498	622,242	15,956,872
Committed Fund Balances					
Deferred Maintenance	-	-	-	832,725	832,725
Total Committed	-	-	-	832,725	832,725
Assigned Fund Balances					
Capital Projects	-	6,203,453	-	-	6,203,453
Educational Programs	1,492,722	-	-	-	1,492,722
Post Retirement Benefits	500,000	-	-	-	500,000
Minimum Reserve Policy	9,067,724	-	-	-	9,067,724
Total Assigned	11,060,446	6,203,453	-	-	17,263,899
Unassigned Fund Balances					
For Economic Uncertainty	1,813,545	-	-	-	1,813,545
Other Unassigned	872,915	-	-	-	872,915
Total Unassigned	2,686,460	-	-	-	2,686,460
Total Fund Balance	\$ 14,321,549	\$ 6,203,453	\$ 14,873,498	\$ 1,454,967	\$ 36,853,467

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

L. 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, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Special Tax Bonds					
Principal Balance	\$ 17,802,500	\$ -	\$ 675,000	\$ 17,127,500	690,000
Bond Premium	1,224,643	-	47,679	1,176,964	48,956
Bond Discount	(31,975)	-	(1,075)	(30,900)	(1,075)
Total Special Tax Bonds	<u>18,995,168</u>	<u>-</u>	<u>721,604</u>	<u>18,273,564</u>	<u>737,881</u>
Capital Leases	131,556	811,605	131,556	811,605	270,318
Net OPEB Liability	10,345,308	1,228,240	-	11,573,548	-
Net Pension Liability	61,864,565	2,354,532	-	64,219,097	-
Compensated Absences *	287,080	19,496	-	306,576	306,576
Total governmental activities	<u>\$ 91,623,677</u>	<u>\$ 4,413,873</u>	<u>\$ 853,160</u>	<u>\$ 95,184,390</u>	<u>\$ 1,314,775</u>
<u>Business-type activities:</u>					
Net OPEB Liability	\$ 791,874	\$ 104,685	\$ -	\$ 896,559	-
Net Pension Liability	3,873,768	193,157	-	4,066,925	-
Compensated Absences *	47,802	980	-	48,782	48,782
Total business-type activities	<u>\$ 4,713,444</u>	<u>\$ 298,822</u>	<u>\$ -</u>	<u>\$ 5,012,266</u>	<u>\$ 48,782</u>

* 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 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A summary of special tax bonds outstanding as of June 30, 2019, are as follows:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
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				<u>\$ 24,580,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2012 Tax Refunding Bonds				
Principal Balance	3,420,000	-	115,000	3,305,000
Unamortized Discount	(31,975)	-	(1,075)	(30,900)
Total 2012 Bonds	<u>3,388,025</u>	<u>-</u>	<u>113,925</u>	<u>3,274,100</u>
2017 Tax Refunding Bonds				
Principal Balance	14,382,500	-	560,000	13,822,500
Unamortized Premium	1,224,643	-	47,679	1,176,964
Total 2017 Bonds	<u>15,607,143</u>	<u>-</u>	<u>607,679</u>	<u>14,999,464</u>
Total Special Tax Bonds	<u>\$ 18,995,168</u>	<u>\$ -</u>	<u>\$ 721,604</u>	<u>\$ 18,273,564</u>

The annual requirements to amortize the bonds outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 690,000	\$ 675,469	\$ 1,365,469
2021	407,500	650,231	1,057,731
2022	725,000	625,581	1,350,581
2023	760,000	590,444	1,350,444
2024	795,000	553,288	1,348,288
2025-2029	4,595,000	2,136,272	6,731,272
2030-2034	5,630,000	1,108,106	6,738,106
2035-2039	3,525,000	235,000	3,760,000
Totals	<u>\$ 17,127,500</u>	<u>\$ 6,574,391</u>	<u>\$ 23,701,891</u>

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.

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:

	2017 Bond
Total Interest Payments on Bonds	\$ 5,702,600
Less Bond Premium	(1,248,170)
Net Interest Payments	<u>4,454,430</u>
Par Amount of Bonds	14,660,000
Periods	19
Effective Interest Rate	1.599%

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

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

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

3. Capital Leases

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 1.50%.

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 3.00%.

On January 7, 2019 the District entered into a capital lease agreement with Apple Financial to purchase Computer equipment. The lease calls for annual payments of \$278,665 which includes principal and interest at a rate of 1.97%.

A summary of the district's capital leases outstanding as of June 30, 2019 are as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2016 Apple Financial	07/15/2015	1.50%	07/15/2018	\$ 353,306
2017 Wells Fargo	12/21/2016	3.00%	12/21/2018	127,783
2019 Apple Financial	01/07/2019	1.97%	07/15/2021	811,605
Total Capital Leases				<u>\$ 1,292,694</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2016 Apple Financial	\$ 88,974	\$ -	\$ 88,974	\$ -
2017 Wells Fargo	42,582	-	42,582	-
2019 Apple Financial	-	811,605	-	811,605
Total Capital Leases	<u>\$ 131,556</u>	<u>\$ -</u>	<u>\$ 131,556</u>	<u>\$ -</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 270,318	\$ 8,347	\$ 278,665
2021	268,004	10,661	278,665
2022	273,283	5,382	278,665
Totals	\$ 811,605	\$ 24,390	\$ 835,995

4. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to \$355,358. 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 \$65,738,333 and increased by \$2,547,689 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$68,286,022. See Note Q for additional information regarding the net pension liability.

7. Total OPEB Liability

The District's beginning OPEB liability was \$11,137,182 and increased during the year ended June 30, 2019 by \$1,332,925. The ending OPEB liability at June 30, 2019 was \$12,470,107. See Note S for additional information regarding the net pension liability.

M. 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.

Included with issuance costs for special tax bonds was insurance on the bonds. The cost of that insurance has been recorded as deferred outflows of resources to be amortized over the life of the bonds.

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A summary of the deferred outflows of resources as of June 30, 2019, is as follows:

Description	Amortization Term	Balance July 1, 2018	Additions	Current Year Amortization	Balance June 30, 2019
Governmental					
2012 Refunding Loss	26 Years	\$ 245,070	\$ -	\$ 11,670	233,400
2017 Refunding Loss	19 Years	761,761	-	40,093	721,668
Prepaid Bond Insurance	19 Years	61,336	-	3,504	57,832
OPEB Related	Varies	50,964	269,404	80,898	239,470
Pension Related	Varies	20,291,225	8,460,680	9,924,848	18,827,057
Total Governmental		<u>21,410,356</u>	<u>8,730,084</u>	<u>10,061,013</u>	<u>20,079,427</u>
Business Type					
OPEB Related	Varies	3,901	16,319	5,714	14,506
Pension Related	Varies	1,908,833	818,370	906,328	1,820,875
Total Business Type		<u>1,912,734</u>	<u>834,689</u>	<u>912,042</u>	<u>1,835,381</u>
Total Deferred Outflows of Resources		<u>\$ 23,323,090</u>	<u>\$ 9,564,773</u>	<u>\$ 10,973,055</u>	<u>\$ 21,914,808</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Governmental Activities				
	Refunding Losses	Prepaid Insurance	OPEB Related	Pension Related	Total
2019	\$ 51,763	\$ 3,504	\$ 29,934	\$ 10,776,736	\$ 10,861,937
2020	51,763	3,504	29,934	4,051,382	4,136,583
2021	51,763	3,504	29,934	3,521,957	3,607,158
2022	51,763	3,504	29,934	476,982	562,183
2023	51,763	3,504	29,934	-	85,201
Thereafter	696,253	40,312	89,800	-	826,365
Total	<u>\$ 955,068</u>	<u>\$ 57,832</u>	<u>\$ 239,470</u>	<u>\$ 18,827,057</u>	<u>\$ 20,079,427</u>
Year Ending June 30	Business Type Activities				
	OPEB Related	Pension Related	Total		
2019	1,813	1,056,446	1,058,259		
2020	1,813	455,987	457,800		
2021	1,813	238,422	240,235		
2022	1,813	70,020	71,833		
2023	1,813	-	1,813		
Thereafter	5,441	-	5,441		
Total	<u>\$ 14,506</u>	<u>\$ 1,820,875</u>	<u>\$ 1,835,381</u>		

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

N. 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 accordance with GASB No. 75 the District has recorded deferred inflows of resources for OPEB related items as prescribed by the statement.

A summary of the deferred inflows of resources as of June 30, 2019, is as follows:

Description	Amortization Term	Balance July 1, 2018	Additions	Current Year Amortization	Balance June 30, 2019
Governmental					
OPEB Related	Varies	\$ -	\$ 387,106	\$ 43,012	\$ 344,094
Pension Related	Varies	7,664,641	2,582,411	3,016,377	7,230,675
Total Governmental		<u>7,664,641</u>	<u>2,969,517</u>	<u>3,059,389</u>	<u>7,574,769</u>
Business Type					
OPEB Related	Varies	\$ -	\$ 23,448	\$ 2,605	\$ 20,843
Pension Related	Varies	1,156,138	347,141	495,069	1,008,210
Total Business Type		<u>1,156,138</u>	<u>370,589</u>	<u>497,674</u>	<u>1,029,053</u>
Total Deferred Inflows of Resources		<u>\$ 8,820,779</u>	<u>\$ 3,340,106</u>	<u>\$ 3,557,063</u>	<u>\$ 8,603,822</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Governmental Activities		
	OPEB Related	Pension Related	Total
2020	\$ 43,012	\$ 2,477,226	\$ 2,520,238
2021	43,012	2,319,135	2,362,147
2022	43,012	1,917,835	1,960,847
2023	43,012	516,479	559,491
2024	43,012	-	43,012
Thereafter	129,034	-	129,034
Total	<u>\$ 344,094</u>	<u>\$ 7,230,675</u>	<u>\$ 7,574,769</u>
Year Ending June 30	Business Type Activities		
	OPEB Related	Pension Related	Total
2020	\$ 2,605	\$ 340,902	\$ 343,507
2021	2,605	298,943	301,548
2022	2,605	298,943	301,548
2023	2,605	69,422	72,027
2024	2,605	-	2,605
Thereafter	7,818	-	7,818
Total	<u>\$ 20,843</u>	<u>\$ 1,008,210</u>	<u>\$ 1,029,053</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

O. 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, 2019 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, 2019 is as follows:

	Dental	Health & Welfare	Vision	Total FBC
Total Assets	\$ 84,837	\$ N/A	\$ 119,927	\$ 204,764
Total Liabilities	79,336	N/A	10,974	90,310
Total Net Position	\$ 5,501	\$ N/A	\$ 108,953	\$ 114,454
Total Cash Receipts	479,932	N/A	56,115	536,047
Total Cash Disbursements	520,419	N/A	56,880	577,299
Change in Net Position	\$ (40,487)	\$ N/A	\$ (765)	\$ (41,252)

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

P. 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Q. 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 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, 2019 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55-60	55-62
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.647%	14.647%

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

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%	1.0 - 2.5%*
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%
Required State Contribution Rates (at June 30, 2019)	7.971%	7.971%

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), Section 22950 of the California Education Code requires members to contribute monthly to the system 10.205% (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 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending on June 30, 2022 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 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 the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), the employee contribution rate was 7.00% and the employer contribution rate was 18.062% of covered payroll.

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 fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.647% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS and \$900 Million to CalPERS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (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). Contributions reported for on behalf payments are based on the District's proportionate share of the States contribution for the fiscal year.

Contributions made by the State on behalf of the District and the State's pension expense associated with District employees for the the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 2,092,771	\$ 3,420,270
2018	8.292%	2,372,953	1,002,796
2019	14.647%	4,240,670	(863,557)

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	7.971%	\$ 814,273	\$ -

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Governmental Funds Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Governmental Funds			
Contributions - Employer	\$ 4,673,690	\$ 1,402,068	\$ 6,075,758
Contributions - State On Behalf Payments	4,240,672	618,721	4,859,393
Total Governmental Funds Contributions	<u>\$ 8,914,362</u>	<u>\$ 2,020,789</u>	<u>\$ 10,935,151</u>
	Enterprise Funds Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Enterprise Funds			
Contributions - Employer	\$ 33,243	\$ 284,894	\$ 318,137
Contributions - State On Behalf Payments	22,795	195,552	218,347
Total Enterprise Funds Funds Contributions	<u>\$ 56,038</u>	<u>\$ 480,446</u>	<u>\$ 536,484</u>
	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Governmental Activities			
Contributions - Employer	\$ 4,096,077	\$ 1,172,352	\$ 5,268,429
Contributions - State On Behalf Payments	4,240,672	814,273	5,054,945
Total Contributions Governmental Activities	<u>8,336,749</u>	<u>1,986,625</u>	<u>10,323,374</u>
Business-Type Activities			
Contributions - Employer	33,243	284,894	318,137
Contributions - State On Behalf Payments	22,795	195,552	218,347
Total Contributions Business-Type Activities	<u>56,038</u>	<u>480,446</u>	<u>536,484</u>
Total Contributions Government-Wide	<u>\$ 8,392,787</u>	<u>\$ 2,467,071</u>	<u>\$ 10,859,858</u>

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

As of June 30, 2019 the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of the Net Pension Liability		
	Governmental Activities	Business Type Activities	Total
CalSTRS	\$ 49,124,289	\$ 398,876	\$ 49,523,165
CalPERS	15,094,808	3,668,049	18,762,857
Total	<u>\$ 64,219,097</u>	<u>\$ 4,066,925</u>	<u>\$ 68,286,022</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to measurement date June 30, 2018 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, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share*	Total For District Employees	District's Proportionate Share
<u>Governmental Activities</u>				
Proportion June 30, 2018	0.0526%	0.0312%	0.0838%	0.0554%
Proportion June 30, 2019	0.0535%	0.0307%	0.0842%	0.0566%
Change in Proportion	0.0009%	-0.0005%	0.0004%	0.0012%
<u>Business-Type Activities</u>				
Proportion June 30, 2018	0.0004%	0.0002%	0.0006%	0.0147%
Proportion June 30, 2019	0.0004%	0.0002%	0.0006%	0.0138%
Change in Proportion	-	-	-	-0.0009%

*Represents State's Proportionate Share on behalf of District employees.

a. Pension Expense

	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Change in Net Pension Liability (Asset)	\$ 494,476	\$ 1,860,055	\$ 2,354,531
State On Behalf Pension Expense	(858,940)	-	(858,940)
Employer Contributions to Pension Expense	4,673,690	1,402,068	6,075,758
(Increase) Decrease in Deferred Outflows of Resources			-
Employer contributions subsequent to measurement date	(627,776)	(224,114)	(851,890)
Differences between actual and expected experiences	41,962	(613,376)	(571,414)
Changes in assumptions	2,102,098	311,669	2,413,767
Changes in proportionate share	(116,771)	(183,366)	(300,137)
Net difference between projected and actual earnings	3,383	770,459	773,842
Increase (Decrease) in Deferred Inflows of Resources			-
Differences between actual and expected experiences	35,169	-	35,169
Changes in assumptions	-	(131,686)	(131,686)
Changes in proportionate share	(401,026)	(23,516)	(424,542)
Net difference between projected and actual earnings	518,707	(431,614)	87,093
Total Governmental Activities	\$ 5,864,972	\$ 2,736,579	\$ 8,601,551

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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	CalSTRS	CalPERS	Total
<u>Business-Type Activities</u>			
Change in Net Pension Liability (Asset)	\$ 30,804	\$ 162,352	\$ 193,156
State On Behalf Pension Expense	(4,617)	-	(4,617)
Employer Contributions to Pension Expense	25,122	443,136	468,258
(Increase) Decrease in Deferred Outflows of Resources			-
Employer contributions subsequent to measurement date	8,121	(158,242)	(150,121)
Differences between actual and expected experiences	318	(138,753)	(138,435)
Changes in assumptions	15,911	87,018	102,929
Changes in proportionate share	(21,276)	59,079	37,803
Net difference between projected and actual earnings	40	235,742	235,782
Increase (Decrease) in Deferred Inflows of Resources			-
Differences between actual and expected experiences	269	-	269
Changes in assumptions	-	(38,092)	(38,092)
Changes in proportionate share	(37,615)	56,616	19,001
Net difference between projected and actual earnings	4,845	(133,951)	(129,106)
Total Business-Type Activities	<u>\$ 21,922</u>	<u>\$ 574,905</u>	<u>\$ 596,827</u>
Total Pension Expense	<u>\$ 5,886,894</u>	<u>\$ 3,311,484</u>	<u>\$ 9,198,378</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2019, 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
<u>Governmental Activities</u>			
Pension contributions subsequent of measurement date	\$ 4,673,690	\$ 1,402,068	\$ 6,075,758
Differences between actual and expected experience	125,886	1,227,286	1,353,172
Changes in assumptions	6,306,294	1,750,351	8,056,645
Changes in employer's proportionate share	1,816,146	306,583	2,122,729
Net difference between projected and actual earnings	5,015	1,213,738	1,218,753
Total Governmental Activities	<u>12,927,031</u>	<u>5,900,026</u>	<u>18,827,057</u>
<u>Business-Type Activities</u>			
Pension contributions subsequent of measurement date	25,122	443,136	468,258
Differences between actual and expected experience	952	314,449	315,401
Changes in assumptions	47,731	459,182	506,913
Changes in employer's proportionate share	35,242	118,159	153,401
Net difference between projected and actual earnings	60	376,842	376,902
Total Business-Type Activities	<u>109,107</u>	<u>1,711,768</u>	<u>1,820,875</u>
Total Deferred Outflows of Resources	<u>\$ 13,036,138</u>	<u>\$ 7,611,794</u>	<u>\$ 20,647,932</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Differences between actual and expected experience	\$ (43,635)	\$ -	\$ (43,635)
Changes in assumptions	-	(131,685)	(131,685)
Changes in employer's proportionate share	(802,052)	(23,515)	(825,567)
Net difference between projected and actual earnings	(5,121,279)	(1,108,509)	(6,229,788)
Total Governmental Activities	<u>(5,966,966)</u>	<u>(1,263,709)</u>	<u>(7,230,675)</u>
<u>Business-Type Activities</u>			
Differences between actual and expected experience	(365)	-	(365)
Changes in assumptions	-	(38,091)	(38,091)
Changes in employer's proportionate share	(112,846)	(531,397)	(644,243)
Net difference between projected and actual earnings	(39,681)	(285,830)	(325,511)
Total Business-Type Activities	<u>(152,892)</u>	<u>(855,318)</u>	<u>(1,008,210)</u>
Total Deferred Inflows of Resources	<u>\$ (6,119,858)</u>	<u>\$ (2,119,027)</u>	<u>\$ (8,238,885)</u>

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, 2020. 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:

Year Ended June 30,	Governmental Activities					Net Effect on Expenses
	Deferred Outflows of Resources		Deferred Inflows of Resources			
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2020	\$ 7,505,239	\$ 3,271,497	\$ (1,982,222)	\$ (495,004)	\$ 8,299,510	
2021	2,631,625	1,419,757	(1,979,331)	(339,804)	1,732,247	
2022	2,629,992	891,965	(1,578,030)	(339,805)	1,604,122	
2023	160,175	316,807	(427,383)	(89,096)	(39,497)	
Total	<u>\$ 12,927,031</u>	<u>\$ 5,900,026</u>	<u>\$ (5,966,966)</u>	<u>\$ (1,263,709)</u>	<u>\$ 11,596,382</u>	
Year Ended June 30,	Business-Type Activities					Net Effect on Expenses
	Deferred Outflows of Resources		Deferred Inflows of Resources			
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2020	\$ 53,405	\$ 1,003,041	\$ (49,831)	\$ (291,071)	\$ 715,544	
2021	26,157	429,830	(49,798)	(249,145)	157,044	
2022	22,888	215,534	(49,796)	(249,147)	(60,521)	
2023	6,657	63,363	(3,467)	(65,955)	598	
Total	<u>\$ 109,107</u>	<u>\$ 1,711,768</u>	<u>\$ (152,892)</u>	<u>\$ (855,318)</u>	<u>\$ 812,665</u>	

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 based on actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Fiscal Year	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation 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%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

(1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.

(2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

(3) Wage growth is a component of inflation for CalPERS assumptions.

(4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.

(5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rates assumed the contributions from the plan members, employers, and state contributing agencies (where applicable) 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 detailed reports that can be obtained from CalPERS and CalSTRS respective 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.

DEL MAR UNION SCHOOL DISTRICT
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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 actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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 reflect the long-term expected real rate of return by asset class. The rate of return was calculated using 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 Asset Allocation	Long-Term Expected Real Rate of 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%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20-year average

DEL MAR UNION SCHOOL DISTRICT
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CalPERS			
Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

* In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

** An expected inflation of 2.00% is used for this period.

*** An expected inflation of 2.92% is used for this period.

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

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

	CalSTRS		
	Governmental Activities	Business-Type Activities	Total
1% Decrease Net Pension Liability	6.10% \$ 71,961,336	6.10% \$ 584,307	6.10% \$ 72,545,643
Current Discount Rate Net Pension Liability	7.10% \$ 49,124,289	7.10% \$ 398,876	7.10% \$ 49,523,165
1% Increase Net Pension Liability	8.10% \$ 245,136	8.10% \$ 245,136	8.10% \$ 490,272

	CalPERS		
	Governmental Activities	Business-Type Activities	Total
1% Decrease Net Pension Liability	6.15% \$ 21,977,319	6.15% \$ 5,340,504	6.15% \$ 27,317,823
Current Discount Rate Net Pension Liability	7.15% \$ 15,094,808	7.15% \$ 3,668,049	7.15% \$ 18,762,857
1% Increase Net Pension Liability	8.15% \$ 9,384,780	8.15% \$ 2,280,508	8.15% \$ 11,665,288

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

3. 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, 2018 (Previously Reported)	\$ 254,469,225	176,742,352	\$ 77,726,873	\$ 29,097,060	\$ 48,629,813
Changes for the year:					
CalSTRS Auditor Adjustment	-	(429,672)	429,672	157,612	272,060
Change in prop. share	1,074,834	746,529	328,305	(472,574)	800,879
Service cost	6,028,919	-	6,028,919	2,211,520	3,817,399
Interest	18,145,848	-	18,145,848	6,656,236	11,489,612
Difference between expected and actual experience	(79,350)	-	(79,350)	(29,107)	(50,243)
Contributions:					
Employer	-	4,108,192	(4,108,192)	(1,506,962)	(2,601,230)
Employee	-	2,951,355	(2,951,355)	(1,082,612)	(1,868,743)
State On Behalf	-	2,360,812	(2,360,812)	(865,990)	(1,494,822)
Net investment income	-	15,763,266	(15,763,266)	(5,782,261)	(9,981,005)
Other income	-	88,757	(88,757)	(32,558)	(56,199)
Benefit payments, including refunds of employee contributions	(12,271,152)	(12,271,152)	-	-	-
Administrative expenses	-	(182,406)	182,406	66,910	115,496
Borrowing costs	-	(79,560)	79,560	29,184	50,376
Other expenses	-	(1,416)	1,416	520	896
Net changes	12,899,099	13,054,705	(155,606)	(650,082)	494,476
Balance at June 30, 2019	\$ 267,368,324	\$ 189,797,057	\$ 77,571,267	\$ 28,446,978	\$ 49,124,289

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2018 (Previously Reported)	\$ 1,919,562	1,333,238	\$ 586,324	\$ 218,253	\$ 368,071
Changes for the year:					
CalSTRS Auditor Adjustment	-	(3,476)	3,476	1,267	2,209
Change in prop. share	148,357	103,042	45,315	12,022	33,293
Service cost	48,780	-	48,780	17,784	30,996
Interest	146,818	-	146,818	53,525	93,293
Difference between expected and actual experience	(642)	-	(642)	(234)	(408)
Contributions:					
Employer	-	33,239	(33,239)	(12,118)	(21,121)
Employee	-	23,879	(23,879)	(8,706)	(15,173)
State On Behalf	-	19,101	(19,101)	(6,964)	(12,137)
Net investment income	-	127,540	(127,540)	(46,497)	(81,043)
Other income	-	718	(718)	(262)	(456)
Benefit payments, including refunds of employee contributions	(99,286)	(99,286)	-	-	-
Administrative expenses	-	(1,476)	1,476	538	938
Borrowing costs	-	(644)	644	235	409
Other expenses	-	(10)	10	5	5
Net changes	<u>244,027</u>	<u>202,627</u>	<u>41,400</u>	<u>10,595</u>	<u>30,805</u>
Balance at June 30, 2019	<u>\$ 2,163,589</u>	<u>\$ 1,535,865</u>	<u>\$ 627,724</u>	<u>\$ 228,848</u>	<u>\$ 398,876</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 47,051,648	\$ 33,816,895	\$ 13,234,753
Changes for the year:			
Change in prop. share	996,386	716,121	280,265
Service cost	1,230,028	-	1,230,028
Interest	3,490,596	-	3,490,596
Difference between expected and actual experience	1,048,983	-	1,048,983
Change in assumptions	254,795	-	254,795
Contributions:			
Employer	-	1,172,360	(1,172,360)
Employee	-	539,510	(539,510)
Net investment income	-	2,884,469	(2,884,469)
Plan to plan res. movement	-	1	(1)
Benefit payments, including refunds of employee contributions	(2,294,592)	(2,294,592)	-
Administrative expenses	-	(52,338)	52,338
Other expenses	-	(99,390)	99,390
Net changes	4,726,196	2,866,141	1,860,055
Balance at June 30, 2019	<u>\$ 51,777,844</u>	<u>\$ 36,683,036</u>	<u>\$ 15,094,808</u>

CalPERS - Business-Type Activities

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 12,463,309	\$ 8,957,613	\$ 3,505,696
Changes for the year:			
Change in prop. share	(787,603)	(566,065)	(221,538)
Service cost	298,898	-	298,898
Interest	848,217	-	848,217
Difference between expected and actual experience	254,904	-	254,904
Change in assumptions	61,915	-	61,915
Contributions:			
Employer	-	284,884	(284,884)
Employee	-	131,101	(131,101)
Net investment income	-	700,928	(700,928)
Plan to plan res. movement	-	-	-
Benefit payments, including refunds of employee contributions	(557,588)	(557,588)	-
Administrative expenses	-	(12,718)	12,718
Other expenses	-	(24,152)	24,152
Net changes	118,743	(43,610)	162,353
Balance at June 30, 2019	<u>\$ 12,582,052</u>	<u>\$ 8,914,003</u>	<u>\$ 3,668,049</u>

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

R. 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.

S. Postemployment Benefits Other Than Pension Benefits

General Information about the OPEB Plan

A. Plan Description

Plan administration: The California Public Employees Retirement System (CalPERS) administers the Del Mar Union School District Retiree Benefits Plan (Plan) through the California Employers' Retiree Benefit Trust (CERBT). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible employees.

Employees Covered by Benefit Terms

At measurement date, June 30, 2019, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	5
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	376
Total plan membership	<u>381</u>

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.

Contributions

The District makes contributions to CERBT to fund as much of the OEB liability as determined feasible in current operating budget. Contributions are determined by management of the District based on budget implications. Plan members are not required to contribute to the plan.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

B. Investments

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the CalPERS Board by a majority vote of its members. It is the policy of CalPERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The CERBT provides participating employers with the choice of three investment allocation strategies. The expected rate of return of assets is dependent on the funding strategy of a participating employer and which investment allocation strategy is selected. For employers fully funding their annual required contribution, strategy 1 has a CERBT published median yield of 7.28%, strategy 2 has a published median yield of 6.73% and strategy 3 has a published median yield of 6.12%. The District has elected to participate in CERBT Strategy 1. The Objective of CERBT Strategy 1 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

Investment Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. Generally, equities are intended to help build the value of the Plans portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Target Range</u>	<u>Benchmark</u>
Global Equity	57%	+ or - 2%	MSCI All Country World Index IMI (net)
Fixed Income	27%	+ or - 2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities (TIPS)	5%	+ or - 2%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts	8%	+ or - 2%	FTSE EPRA/NAREIT Developed Liquid Index
Commodities	3%	+ or - 2%	S&P GSCI Total return Index

*Allocations were approved by the CalPERS Board at the October 2014 Investment Committee meeting

Concentrations

The Plan holds investments explicitly in the CERBT Strategy 1 portfolio which represents an amount greater than 5% of the Plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2019, the time weighted investment rates of return for CERBT Strategy 1 were:

<u>Category</u>	<u>1 Year Return</u>	<u>3 Year Return</u>	<u>5 Year Return</u>
Total Fund	10.60%	3.70%	8.10%
Global Equity	19.40%	5.20%	11.10%
Global Fixed Income	0.30%	4.30%	3.90%
TIPS	-0.60%	0.60%	0.20%
REITS	-0.10%	3.90%	7.60%
Commodities	-8.90%	-24.80%	-14.00%

DEL MAR UNION SCHOOL DISTRICT
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Index	1 Year Return	3 Year Return	5 Year Return
CERBT Strategy 1 Policy Index	9.90%	3.20%	7.70%
CERBT S1 Global Equity Benchmark	19.00%	4.90%	10.80%
CalPERS Custom Long Liability (Daily)	-0.90%	3.50%	2.90%
CalPERS TIPS (Daily)	-0.60%	0.60%	0.30%
PERS FTSE EPRA NAREIT Developed Liquid	-0.90%	3.10%	7.00%
GSCI Total Return (Daily)	-9.00%	-24.80%	-13.70%

C. Net OPEB Liability of the District and the Plan

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Fiscal Year:	July 1st to June 30th
Measurement Date:	June 30, 2019
Funding Policy:	Pay-as-you-go
Asset Return:	7.0% per annum; assumes the District invests in the CERBT asset allocation Strategy 1 with a margin for adverse deviation of 51 bps.
Discount Rate:	3.16% per annum. The discount rate is a blended rate between the rate of return at 7.00% and 3.15%, the resulting rate using the average of 3 - 20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20- Bond GO index, Fidelity GO AA 20 Year Bond Index.
Inflation:	2.75% per annum
Payroll Increases:	3.00% per annum
Pre-retirement turnover:	According to the Crocker-Sarason T-5 turnover table less mortality. Sample rates are as follows:

Age	Males	Females
20	7.9%	7.9%
25	7.7%	7.7%
30	7.2%	7.2%
35	6.3%	6.3%
40	5.2%	5.2%
45	4.0%	4.0%
50	2.6%	2.6%
55	0.9%	0.9%

Mortality Rates: Mortality rates are based on the 6/30/2017 CalPERS pension valuation and the 6/30/15 CalSTRS pension valuation.

Age	Percent Retiring*	
	Classic	PEPRA

DEL MAR UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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55	25%	20%
56	10%	7.5%
57-58	10%	10%
59-60	15%	15%
61	20%	15%
62-64	35%	25%
65	45%	35%
66-69	35%	30%
70	100%	100%

*Of those having met eligibility to receive District paid benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Retirement Eligibility Age: The earliest retirement age assumed for employees who participate in CalSTRS is age 55. The earliest retirement age assumed for employees who participate in CalPERS is age 50.

Participation Rates: 97.5% of active employees are assumed to elect retiree health coverage at retirement. Approximately 75% are assumed to elect the Kaiser HMO 10 Plan and the remainder in the Select HMO Network or the Network I HMO if Certificated employee.

Spouse Coverage: 25% of future retirees electing coverage are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage is used for current retirees.

Average Claim Costs: The valuation was based on the premiums and funding rates furnished by the District. These costs include medical and prescription drug for both active and retired employees.

Coverage	Annual Cost
Medical	\$ 12,545
Dental & Vision	\$ 1,335

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	Trend
2020	5.5%
2021+	5.0%

Dental & Vision Trend Rates: Dental and vision are adjusted in future years by the following trends

Year	Trend
2020+	4.0%

Contribution Caps: The District's annual contribution maximums (caps) are assumed to increase based on an assumed medical CPI rate of 4%.

Cadillac Tax: The valuation does not include any additional liability for the cadillac tax. The impact of the valuing the cadillac tax would be considered de minimis.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee’s date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. For plans unrelated to pay, the normal cost is calculated to remain level in dollars; for pay-related plans the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets: Any assets of the Plan will be valued on a market value basis.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 1997 through June 30, 2011 which was completed and adopted by the CalPERS Board in April 2014.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Inflation Assets	5.00%	1.50%
Global Debt Securities	27.00%	2.35%
Global Equities	57.00%	5.50%
REITs	8.00%	3.65%
Commodities	3.00%	1.75%
Total	100.00%	

Long Term expected rate of return is 7.00%.

Discount rate

The Discount rate used to measure the total OPEB liability was 3.16% (a decrease from 3.40% used in the June 30, 2018 measurement date). The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

DEL MAR UNION SCHOOL DISTRICT
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Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 12,108,629	\$ -	\$ 12,108,629
Changes for the year:			
Service cost	750,495	-	750,495
Interest	433,844	-	433,844
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(410,554)	-	(410,554)
Changes in assumptions	285,723	-	285,723
Contributions - Employer	-	698,030	(698,030)
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(198,030)	(198,030)	-
Administrative expenses	-	-	-
Net Changes	<u>861,478</u>	<u>500,000</u>	<u>361,478</u>
Balance at June 30, 2019	<u>\$ 12,970,107</u>	<u>\$ 500,000</u>	<u>\$ 12,470,107</u>

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.16%) or 1-percentage point higher (4.16%) than the current discount rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Net OPEB Liability	\$ 13,680,527	\$ 12,470,107	\$ 11,346,139

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.5% decreasing to 4%) or 1-percentage point higher (7.5% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease 5.5% decreasing to 4%	Healthcare Cost Trend Rates 6.5% decreasing to 5%	1% Increase 7.5% decreasing to 6%
Net OPEB Liability	\$ 10,694,666	\$ 12,470,107	\$ 14,575,625

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the fiduciary fund financial statements found at Exhibits A-10 and A-11.

DEL MAR UNION SCHOOL DISTRICT
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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,170,469. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 253,976	\$ -
Difference between expected & actual experience	-	(364,937)
Total	<u>\$ 253,976</u>	<u>\$ (364,937)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Effect On OPEB Expense</u>
2020	\$ 31,747	\$ (45,617)	\$ (13,870)
2021	31,747	(45,617)	(13,870)
2022	31,747	(45,617)	(13,870)
2023	31,747	(45,617)	(13,870)
2024	31,747	(45,617)	(13,870)
Thereafter	95,241	(136,852)	(41,611)
Total	<u>\$ 253,976</u>	<u>\$ (364,937)</u>	<u>\$ (110,961)</u>

Payable to the OPEB Plan

At June 30, 2019, the District did not have any payables to the OPEB plan outstanding.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

T. Adjustment to Beginning Balance

During the fiscal year ended June 30, 2019, the District discovered certain errors in classification of capital assets and associated accumulated depreciation between governmental activities and business type activities. In addition, the District noted some errors in total accumulated depreciation previously reported. As a result, the District made adjustments to beginning balances to correct for these errors.

A summary of adjustments to beginning balance are as follows:

	Government-Wide Financial Statements	
	Governmental Activities	Business Type Activities
Beginning Net Position - Originally Stated	\$ 60,995,207	\$ 296,499
Adjustments for Correction of Errors:		
Accumulated Depreciation	(224,406)	140,523
Total Adjustments	<u>1,180,827</u>	<u>(1,264,707)</u>
Beginning Net Position - As Restated	\$ <u>62,176,034</u>	\$ <u>(968,208)</u>
		Enterprise Fund
		Childcare Program
Beginning Net Position - Originally Stated	\$ 296,499	
Adjustments for Correction of Errors:		
Capital Assets	(1,405,230)	
Accumulated Depreciation	140,523	
Total Adjustments	<u>(1,264,707)</u>	
Beginning Net Position - As Restated	\$ <u>(968,208)</u>	

U. 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

V. 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, 2020. Those newly implemented pronouncements are as follows:

GASB 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District expects adjustments to be made to the financial statements resulting from implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

GASB 90 - Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The District does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,170,350	\$ 1,170,350	\$ 1,183,159	\$ 12,809
Education Protection Account Funds	864,400	864,400	864,570	170
Local Sources	47,709,856	48,543,794	48,775,314	231,520
Federal Revenue	1,394,273	1,393,144	1,213,532	(179,612)
Other State Revenue	4,220,761	4,420,323	7,227,645	2,807,322
Other Local Revenue	3,455,050	3,770,890	4,463,335	692,445
Total Revenues	<u>58,814,690</u>	<u>60,162,901</u>	<u>63,727,555</u>	<u>3,564,654</u>
Expenditures:				
Current:				
Certificated Salaries	28,789,218	29,133,104	29,785,051	(651,947)
Classified Salaries	8,216,028	8,069,503	8,077,534	(8,031)
Employee Benefits	13,784,204	13,740,130	16,617,154	(2,877,024)
Books And Supplies	2,365,088	3,082,157	1,354,381	1,727,776
Services And Other Operating Expenditures	5,348,536	5,835,474	5,060,165	775,309
Other Outgo	-	-	35,215	(35,215)
Capital Outlay	227,453	256,685	1,240,868	(984,183)
Debt Service:				
Principal	131,556	131,556	131,556	-
Interest	2,607	2,607	2,608	(1)
Total Expenditures	<u>58,864,690</u>	<u>60,251,216</u>	<u>62,304,532</u>	<u>(2,053,316)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,000)</u>	<u>(88,315)</u>	<u>1,423,023</u>	<u>1,511,338</u>
Other Financing Sources (Uses):				
Transfers In	70,000	70,000	-	(70,000)
Transfers Out	-	-	(402,529)	(402,529)
Other Sources	811,605	811,605	811,605	-
Total Other Financing Sources (Uses)	<u>881,605</u>	<u>881,605</u>	<u>409,076</u>	<u>(472,529)</u>
Net Change in Fund Balance	831,605	793,290	1,832,099	1,038,809
Fund Balance, July 1	12,089,343	12,089,343	12,089,343	-
Fund Balance, June 30	<u>\$ 12,920,948</u>	<u>\$ 12,882,633</u>	<u>\$ 13,921,442</u>	<u>\$ 1,038,809</u>

The accompanying notes to required supplementary information are an integral part of this statement.

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0539%	0.0530%	0.0512%	0.0542%	0.0522%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 49,523,165	\$ 48,997,884	\$ 41,411,776	\$ 36,459,211	\$ 30,524,550	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	28,459,001	29,097,345	23,689,576	19,412,612	18,585,675	N/A	N/A	N/A	N/A	N/A
Total	77,982,166	78,095,229	65,101,352	55,871,823	49,110,225	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 28,616,216	\$ 28,013,816	\$ 25,438,351	\$ 25,025,983	\$ 23,145,758	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	173.06%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.40%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A

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

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

See Accompanying Notes to the Required Supplementary Information.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 4,698,812	\$ 4,129,320	\$ 3,524,138	\$ 2,729,535	\$ 2,222,307	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(4,698,812)	(4,129,320)	(3,524,138)	(2,729,535)	(2,222,307)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 28,862,482	\$ 28,616,216	\$ 28,013,816	\$ 25,438,351	\$ 25,025,983	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A

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

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

See Accompanying Notes to the Required Supplementary Information.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0704%	0.0701%	0.0731%	0.0697%	0.0567%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 18,762,857	\$ 16,740,449	\$ 14,430,024	\$ 10,273,359	\$ 8,049,024	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 9,382,821	\$ 9,006,445	\$ 8,847,708	\$ 7,750,726	\$ 7,454,929	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	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A

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

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

See Accompanying Notes to the Required Supplementary Information.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,845,204	\$ 1,457,246	\$ 1,250,815	\$ 1,048,188	\$ 912,338	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,845,204)	(1,457,246)	(1,250,815)	(1,048,188)	(912,338)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 10,215,945	\$ 9,382,821	\$ 9,006,445	\$ 8,847,708	\$ 7,750,726	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%	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
NET OPEB LIABILITY AND RELATED RATIOS
DMUSD RETIREE HEALTHCARE PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB liability:										
Service cost	\$ 750,495	\$ 701,951	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	433,844	368,638	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
Differences between expected and actual experience	(410,554)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	285,723	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(198,030)	(147,494)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	861,478	923,095	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	11,137,182	10,214,087	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustment to beginning balance**	971,447	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending (a)	\$ 12,970,107	\$ 11,137,182	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position:										
Contributions - employer	\$ 698,030	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions - employee	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(198,030)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	500,000	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	\$ 500,000	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's net OPEB liability - ending (a) - (b) as a percentage of the total OPEB liability	\$ 12,470,107	\$ 11,137,182	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 31,724,000	\$ 31,724,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's net OPEB liability as a percentage of covered-employee payroll	39.31%	35.11%	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.

**For fiscal year 2019, there is an adjustment to beginning OPEB liability resulting from a change in the measurement period.

See Accompanying Notes to Required Supplementary Information

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 DMUSD RETIREE HEALTHCARE PLAN
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the actuarially determined contribution	(698,030)	(147,494)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ (698,030)</u>	<u>\$ (147,494)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered-employee payroll	\$ 31,724,000	\$ 31,724,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	2.20%	0.46%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

** The District does not currently have actuarially determined contributions. The contributions made are based on pay as you go amounts due and amounts the District has placed in the OPEB trust which is determined based on budgetary availability of funds.

See Accompanying Notes to Required Supplementary Information

DEL MAR UNION SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
DMUSD RETIREE HEALTHCARE PLAN
LAST TEN FISCAL YEARS*

<u>Year</u>	<u>Annual Money Weighted Rate of Return, Net of Investment Expense</u>
2019	0.00%
2018	0.00%
2017	N/A
2016	N/A
2015	N/A
2014	N/A
2013	N/A
2012	N/A
2011	N/A
2010	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, OPEB plans should present information for those years for which information is available.

N/A - The money-weighted rate of return, net of investment expenses is not available for periods prior to 2018.

See Accompanying Notes to Required Supplementary Information.

DEL MAR UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2019

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$	14,321,549
Less Fund 17 Fund Balance		(400,107)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u>13,921,442</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	2,232,206
Change in Fund Balance attributed to Fund 17		(400,107)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u>1,832,099</u>

Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries	\$ 651,947	The District underestimated the increase from bargaining agreement increases.
Classified Salaries	8,031	The District underestimated the increase from bargaining agreement increases.
Employee Benefits	2,877,024	The underestimation resulted from the additional on behalf payment contributions made by the state as a result of SB90 passed on 6/28/19.
Other Outgo	35,215	The District underestimated the cost of tuition to the county office of education.
Debt Service Interest	1	This represents a rounding variance between the budget and actual expenses.

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.

DEL MAR UNION SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

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

1) Benefit Changes: In 2015, 2016, 2017, 2018, & 2019 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016, 2017 & 2019 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 & 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
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

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/10 - 06/30/15	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	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.

DEL MAR UNION SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

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

1) Benefit Changes: In 2015, 2016, 2017, 2018 & 2019 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%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study and review of Actuarial Assumptions December 2017, there were no changes to the discount rate in this period.

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, & 2017 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
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

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.15%	7.50%
Consumer Price Inflation	2.75%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) available on CalPERS website.

DEL MAR UNION SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

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

- 1) Benefit Changes: In 2018 & 2019 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions. In 2019 the discount rate was changed from 3.40% to 3.16% and the measurement date was changed to agree with year end.
- 3) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.40%
2019	3.16%

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, 2019

	Special Revenue Funds	Debt Service Fund <u>Blended Component Unit</u>	Capital Projects Fund <u>Capital Facilities Fund</u>	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 910,330	\$ -	\$ 594,698	\$ 1,505,028
Accounts Receivable	76,181	-	26,871	103,052
Due from Other Funds	9,173	-	995	10,168
Total Assets	<u>995,684</u>	<u>-</u>	<u>622,564</u>	<u>1,618,248</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 49,697	\$ -	\$ 322	\$ 50,019
Due to Other Funds	70,000	-	-	70,000
Unearned Revenue	43,262	-	-	43,262
Total Liabilities	<u>162,959</u>	<u>-</u>	<u>322</u>	<u>163,281</u>
Fund Balance:				
Restricted Fund Balances	-	-	622,242	622,242
Committed Fund Balances	832,725	-	-	832,725
Total Fund Balance	<u>832,725</u>	<u>-</u>	<u>622,242</u>	<u>1,454,967</u>
Total Liabilities and Fund Balances	<u>\$ 995,684</u>	<u>\$ -</u>	<u>\$ 622,564</u>	<u>\$ 1,618,248</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 243,944	\$ -	\$ -	\$ 243,944
Federal Revenue	174,721	-	-	174,721
Other State Revenue	16,221	-	-	16,221
Other Local Revenue	855,619	-	97,415	953,034
Total Revenues	<u>1,290,505</u>	<u>-</u>	<u>97,415</u>	<u>1,387,920</u>
Expenditures:				
Current:				
Pupil Services	1,036,828	-	-	1,036,828
General Administration	-	-	10,142	10,142
Debt Service:				
Principal	-	675,000	-	675,000
Interest	-	696,966	-	696,966
Total Expenditures	<u>1,036,828</u>	<u>1,371,966</u>	<u>10,142</u>	<u>2,418,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>253,677</u>	<u>(1,371,966)</u>	<u>87,273</u>	<u>(1,031,016)</u>
Other Financing Sources (Uses):				
Transfers In	2,529	1,371,966	-	1,374,495
Total Other Financing Sources (Uses)	<u>2,529</u>	<u>1,371,966</u>	<u>-</u>	<u>1,374,495</u>
Net Change in Fund Balance	256,206	-	87,273	343,479
Fund Balance, July 1	576,519	-	534,969	1,111,488
Fund Balance, June 30	<u>\$ 832,725</u>	<u>\$ -</u>	<u>\$ 622,242</u>	<u>\$ 1,454,967</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 84,043	\$ 826,287	\$ 910,330
Accounts Receivable	69,743	6,438	76,181
Due from Other Funds	9,173	-	9,173
Total Assets	<u>162,959</u>	<u>832,725</u>	<u>995,684</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 49,697	\$ -	\$ 49,697
Due to Other Funds	70,000	-	70,000
Unearned Revenue	43,262	-	43,262
Total Liabilities	<u>162,959</u>	<u>-</u>	<u>162,959</u>
Fund Balance:			
Committed Fund Balances	-	832,725	832,725
Total Fund Balance	<u>-</u>	<u>832,725</u>	<u>832,725</u>
Total Liabilities and Fund Balances	<u>\$ 162,959</u>	<u>\$ 832,725</u>	<u>\$ 995,684</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
LCFF Sources:			
Local Sources	\$ -	\$ 243,944	\$ 243,944
Federal Revenue	174,721	-	174,721
Other State Revenue	16,221	-	16,221
Other Local Revenue	843,357	12,262	855,619
Total Revenues	<u>1,034,299</u>	<u>256,206</u>	<u>1,290,505</u>
Expenditures:			
Current:			
Pupil Services	1,036,828	-	1,036,828
Total Expenditures	<u>1,036,828</u>	<u>-</u>	<u>1,036,828</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,529)</u>	<u>256,206</u>	<u>253,677</u>
Other Financing Sources (Uses):			
Transfers In	2,529	-	2,529
Total Other Financing Sources (Uses)	<u>2,529</u>	<u>-</u>	<u>2,529</u>
Net Change in Fund Balance	-	256,206	256,206
Fund Balance, July 1	-	576,519	576,519
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 832,725</u>	<u>\$ 832,725</u>

Other Supplementary Information

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

Supplementary Information Section

DEL MAR UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2019

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

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Erica Halpern	President	Four year term Expires December 2020
Scott Wooden, Ph.D.	Clerk	Four year term Expires December 2022
Doug Rafner, Esq.	Member	Four year term Expires December 2022
Katherine Fitzpatrick	Member	Four year term Expires December 2022
Gee Wah Mok, Esq.	Member	Seventeen month term Expires December 2020

Administration

Holly McClurg, Ph.D.
Superintendent

Shelley Petersen
Assistant Superintendent
Instructional Services

Jason Romero
Assistant Superintendent
Human Resources

Catherine Birks
Assistant Superintendent
Business Services

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2019

TABLE D-1

	Second Period Report Certificate #238416A9		Annual Report Certificate #4FD35883	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,185.55	N/A	2,189.62	N/A
Extended Year Special Education	5.49	N/A	5.49	N/A
Nonpublic, Nonsectarian Schools	1.00	N/A	0.99	N/A
Extended Year-Nonpublic	0.17	N/A	0.17	N/A
TK/K-3 Totals	<u>2,192.21</u>	<u>N/A</u>	<u>2,196.27</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	1,945.88	N/A	1,946.33	N/A
Extended Year Special Education	1.50	N/A	1.50	N/A
Nonpublic, Nonsectarian Schools	0.99	N/A	0.99	N/A
Extended Year-Nonpublic	0.16	N/A	0.16	N/A
Grades 4-6 Totals	<u>1,948.53</u>	<u>N/A</u>	<u>1,948.98</u>	<u>N/A</u>
ADA totals	<u><u>4,140.74</u></u>	<u><u>N/A</u></u>	<u><u>4,145.25</u></u>	<u><u>N/A</u></u>

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

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

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2019

TABLE D-2

Grade Level	Ed. Code Minutes Requirement	2018-19 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
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2019

TABLE D-3

General Fund	Budget 2020 (Note 1)	2019	2018	2017
Revenues and other financial sources	\$ 61,594,256	\$ 64,539,160	\$ 57,558,817	\$ 54,980,748
Expenditures, other uses and transfers out	61,594,256	62,707,061	56,655,607	55,135,418
Change in fund balance (deficit)	-	1,832,099	903,210	(154,670)
Ending fund balance	\$ 13,921,442	\$ 13,921,442	\$ 12,089,343	\$ 11,186,133
Available reserves (Note 2)	\$ 13,435,410	\$ 13,346,799	\$ 11,918,611	\$ 10,933,871
Available reserves as a percentage of total outgo (Note 3)	21.8%	23.1%	21.7%	20.4%
Total long-term debt	\$ 18,076,970	\$ 19,085,169	\$ 19,126,724	\$ 20,397,076
Average daily attendance at P-2	4,083	4,140	4,322	4,304

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 \$2,735,309 (24.5%) over the past two years. The fiscal year 2019-20 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 \$1,311,907 over the past two years.

Average daily attendance has decreased by 164 over the past two years.

Notes:

- 1 Budget 2020 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 \$4,852,430*, \$2,078,716*, and \$2,124,489* have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2019, 2018, and 2017.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

*Represents amounts recorded as on behalf payments in the general fund only, additional on behalf payments are recorded in other funds.

DEL MAR UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

TABLE D-4

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Enterprise Fund
June 30, 2019, annual financial and budget report fund balances	\$ 13,921,442	\$ 400,107	\$ 181,138
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB # 54 reporting of Special Reserve Fund	400,107	(400,107)	-
To record current year changes to deferred outflows of resources pension related			(87,958)
To record current year changes to net pension liability			(193,158)
To record current year changes to deferred inflows of resources pension related			147,928
To record current year changes to deferred outflows of resources OPEB related			10,605
To record current year changes to net OPEB liability			(104,685)
To record current year changes to deferred inflows of resources OPEB related			(20,843)
To record current year changes to compensated absences			(979)
To record current year depreciation expense			(28,094)
To record correction to beginning balance for buildings and associated accumulated depreciation			(1,264,707)
Net adjustments and reclassifications	400,107	(400,107)	(1,541,891)
June 30, 2019, audited financial statement fund balances	\$ 14,321,549	\$ -	\$ (1,360,753)

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2019

TABLE D-5

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

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

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
National School Lunch Program	10.555	13391	\$ -	\$ 174,721
Total U. S. Department of Agriculture			-	174,721
Total Child Nutrition Cluster			-	174,721
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA - Private Schools	84.027	10115	19,478	19,478
IDEA - Basic Local Assistance	84.027	13379	-	887,348
IDEA - Mental Health	84.027	14468	-	50,060
IDEA - Preschool Grants	84.173	13430	-	30,115
IDEA - Preschool Staff Development	84.173	13430	-	293
Total Passed Through State Department of Education			19,478	987,294
Total U. S. Department of Education			19,478	987,294
Total Special Education (IDEA) Cluster			19,478	987,294
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I	84.010	14329	-	88,273
Title III	84.365	14346	-	75,851
Title II Supporting Effective Education	84.367	14341	-	62,114
Total Passed Through State Department of Education			-	226,238
Total U. S. Department of Education			-	226,238
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 19,478	\$ 1,388,253

The accompanying notes are an integral part of this schedule.

DEL MAR UNION SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

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.

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.

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 4.47% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

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

Schoolwide Program

The District does not operate a schoolwide program at any site.

Other Independent Auditor's Reports

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Del Mar Union School District, as of and for the year ended June 30, 2019, 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 9, 2019.

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.

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) 2019-001.

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.

 William A. King & Co., LLP

El Cajon, California
December 9, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and Report 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 Del Mar Union School District's major federal program for the year ended June 30, 2019. Del Mar Union School District's major federal program is 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 its major federal program for the year ended June 30, 2019.

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.

William A. Kelley King & Co., LLP

El Cajon, California
December 9, 2019

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 *2018-19 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, 2019.

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, *2018-19 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, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
--------------------------------	---

LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
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
Comprehensive School Safety Plan	Yes
District of Choice	N/A

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:

California Clean Energy Jobs Act	N/A
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.

We did not perform testing for independent study. The ADA reported for independent study was below the threshold that required testing.

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, 2019.

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, *2018-19 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 2019-001.

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 *2018-19 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.

William Stanley King & Co., LLP

El Cajon, California
December 9, 2019

Findings and Recommendations Section

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

Version of compliance supplement used in audit: August 2019

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 No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? Yes No

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

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding Number: 2019-001
Repeat Finding: No
Program Name: Unduplicated Pupil Counts
Questioned Costs: \$2,053 reduction in supplemental grant determined through extrapolation
Type of Finding: State Compliance (40000)

Criteria or Specific Requirement

Verify that students reported as free or reduced priced meal eligible on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" is supported by documentation that indicated the student was eligible for the designation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collections form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE that matches enrolled students against those children/households receiving CalFresh (or CALWORKS) benefits.

Condition

In our review of eligibility of students reported for unduplicated pupil counts under FRPM, we identified one out of twenty four tested that did not meet the eligibility requirements. The student in question were identified as not qualifying for free or reduced priced meals by the child nutrition department.

Cause

The data provided by the child nutrition department for students eligible for FRPM included students that were receiving free lunches for a grace period of 30 days from the beginning of the school year but who either did not turn in a form for the 2018-19 fiscal year or were determined to be ineligible.

Effect

Unduplicated pupil counts was overstated for students that did not meet eligibility requirements in the FRPM category. This resulted in overfunding of the supplemental grant in the local control funding formula.

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Audit adjustments to the count are as follows:

	<u>Funded Under LCFF</u>	<u>Audit Adjustments</u>	<u>Adjusted Counts</u>
Total Enrollment	4,263	-	4,263
Free/Reduced Meal Program (FRPM)	97	(5)	92
English Learner (ELAS)	415	-	415
Both FRPM & ELAS	40	-	40
Other Funded (Direct Certification)	201	-	201
Total Unduplicated Pupil Count	<u>753</u>	<u>(5)</u>	<u>748</u>

The adjustments, and therefore questioned costs, were determined by an extrapolation of the impact error.

Context

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

- 1) Unduplicated count of pupils who (1) are English Learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)). Although students may be considered eligible for free/reduced price lunch programs in the first thirty days of a school year based on the prior year's eligibility, that eligibility does not qualify for unduplicate pupil counts purposes.
- 2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42338.02(b)(5)).

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

We audited a total of ninety four students across the district eligible as English Learners (EL), FRPM, or eligible under both categories. We found no errors in EL documentation which accounted for seventy students in our sample. We found one error out of the remaining twenty four students tested in the FRPM category eligibility.

Recommendation

Establish a procedure to ensure that the CalPADS reporting of unduplicated pupil counts is based on the students who meet current year eligibility requirements for the FRPM program. Include in new procedures a verification of items in the CalPADS system to the child nutrition system.

Views of Responsible Officials

See Corrective Action Plan

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Superintendent
Holly McClurg, Ph.D.

Board of Trustees
Erica Halpern, President
Scott Wooden, Ph.D., Clerk
Katherine Fitzpatrick, Member
Gee Wah Mok, Esq., Member
Doug Rafner, Esq., Member

December 9, 2019

To Whom it May Concern:

The accompanying Corrective Action Plan has been prepared as required by the *2018-19 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,

A handwritten signature in blue ink that reads "Catherine Birks". The signature is written in a cursive style.

Catherine Birks
Assistant Superintendent
Business Services

DEL MAR UNION SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2019

Finding Number: 2019-001
Program Name: Unduplicated Pupil Counts
Contact Person: Catherine Birks
Completion Date: November 20, 2019

Planned Corrective Action: Prior to the CALPADS Fall 1 certification, the CALPADS administrator will run a report of eligible Free and Reduced Price Meal (FRPM) program students for the Child Nutrition Department to review. The Child Nutrition Department will compare the list to current year applications and direct certifications received for eligible students. Students in the initial 30 day grace period that do not submit an application for the current year shall have FRPM eligibility terminated on June 30 of the prior fiscal year. The Child Nutrition Department shall notify the CALPADS administrator of any discrepancies and run a new report if any changes in eligibility were made.

DEL MAR UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2018-001 Attendance</p> <p>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).</p> <p>The District has established procedures that teachers enter attendance on a daily basis and although verification of class rosters was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based on 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.</p> <p>It was recommended that the District implement procedures to ensure class rosters are printed timely and are signed, dated, and verified by teachers within one week after the end of each attendance period. The District should 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. It was also recommended that the District provide training to all school sites to District established policies and procedures surrounding documentation of attendance. Finally, it was recommended that the District implement monitoring procedures at school sites to ensure procedures are being followed.</p>	<p>Implemented</p>	