

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

AUDIT REPORT

JUNE 30, 2012

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave
El Cajon, CA 92020**

Introductory Section

Del Mar Union School District
 Audit Report
 For The Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	11	Exhibit A-1
Statement of Activities.....	12	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	14	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	Exhibit A-6
Statement of Net Assets - Enterprise Fund.....	18	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Enterprise Fund.....	19	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	20	Exhibit A-9
Statement of Fiduciary Net Assets - Fiduciary Funds.....	21	Exhibit A-10
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	22	Exhibit A-11
Notes to the Financial Statements	23	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	39	Exhibit B-1
Schedule of Funding Progress - Healthcare Plan.....	40	
Notes to Required Supplementary Information.....	41	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	42	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	43	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	44	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	45	Exhibit C-4
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	46	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Capital Projects Funds.....	47	Exhibit C-6

Del Mar Union School District
 Audit Report
 For The Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	48	
Schedule of Average Daily Attendance.....	49	Table D-1
Schedule of Instructional Time.....	50	Table D-2
Schedule of Financial Trends and Analysis.....	51	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	52	Table D-4
Schedule of Charter Schools.....	53	Table D-5
Schedule of Expenditures of Federal Awards	54	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	55	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56	
Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133.....	58	
Independent Auditor's Report on State Compliance.....	60	
Schedule of Findings and Questioned Costs	62	
Summary Schedule of Prior Audit Findings.....	64	

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Financial Section

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 West Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

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 Del Mar Union School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Del Mar Union School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Del Mar Union School District as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of Del Mar Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Del Mar Union School District's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 4, 2012

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

This section of the Del Mar Union School District's annual financial reports presents the management discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2012. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal year, and is a required element of the reporting model established by the Governmental Accounting Standards Boards (GASB) in Statement Number 34. This management discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

USING THESE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for Fiscal Year 2011-2012 are as follows:

- Total net assets (including Business Type Activities) for the District are \$110,078,590.
- Outstanding Capital Lease-Purchase Debt increased from \$200,621 to \$398,970 during 2011-2012.
- The District student enrollment is 4,277.48 in 2011-2012.
- Property tax revenue increased by 2% in 2011-2012 over 2010-2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

Statement of Net Assets 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 Assets and the Statement of Activities answer this question. These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year’s revenues and expenses regardless of when cash is received or disbursed.

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

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

REPORTING THE DISTRICT’S MOST SIGNIFICANT INDIVIDUAL FUNDS

Fund Financial Statements

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

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

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

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

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

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

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

The District maintains ten individual governmental funds. Four of these funds are considered major funds: the General Fund, Special Reserve Fund for Capital Outlay, Community Facilities District Funds (95-1 & 99-1) and the Other Enterprise Fund. The other six governmental funds are the Cafeteria Fund, Deferred Maintenance Fund, Special Reserve Fund, Capital Facilities Fund, Debt Service Fund (95-1 & 99-1) and Foundation Trust Fund.

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 district-wide statements. Enterprise funds or internal service funds are the two types of proprietary funds. The District does operate an enterprise fund which is where we account for the activities related to all of the Childcare programs. All of the Childcare programs were reported in this enterprise fund.

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

Fiduciary funds – In a fiduciary fund, the District is the trustee, or fiduciary, for assets that belong to others, such as the Foundation Trust Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The district's net assets were \$ 110,078,590 as of June 30, 2012. The Statement of Net Assets (see Table A-1 below) provides a perspective of the District's net assets as a whole. All of the data is from the District's governmental activities.

	2010-2011	2011-2012	Variance
Assets			
Cash	24,721,330	20,581,583	(4,139,747)
Receivables	2,211,572	2,626,578	415,006
Due From (To) Other Funds	0	0	0
Prepaid Expenses	655,856	881,103	225,247
Other Current Assets	8,032	8,032	0
Capital Assets :			0
Land	36,813,151	36,813,151	0
Site Improvements	2,078,850	2,427,808	348,958
Buildings	92,952,174	100,014,838	7,062,664
Equipment	3,422,076	3,404,181	(17,895)
Work in Progress	7,095,370	285,694	(6,809,676)
Less Accumulated Depreciation	(21,826,916)	(23,915,790)	(2,088,874)
Total Assets	<u>148,131,495</u>	<u>143,127,178</u>	<u>(5,004,317)</u>
Liabilities			
Accounts Payable & Liabilities	1,525,740	934,823	(590,917)
Current Loans	0	0	0
Deferred Revenue	1,399,876	1,217,843	(182,033)
Long-Term Liabilities	30,495,288	30,895,922	400,634
<i>Due within one year</i>	844,306	769,687	(74,619)
<i>Due in more than one year</i>	29,650,982	30,126,235	475,253
Total Liabilities	<u>33,420,904</u>	<u>33,048,588</u>	<u>(372,316)</u>
Net Assets			
Invested in Capital Assets	91,699,065	90,418,656	(1,280,409)
Restricted:			
Capital Projects	7,863,563	7,397,079	(466,484)
Debt Service	0	0	0
Educational Purposes	707,809	222,871	(484,938)
Other Purposes (expendable)	548,291	500,576	(47,715)
Other Purposes (nonexpendable)	20,000	25,000	5,000
Unrestricted	13,871,861	11,514,408	(2,357,453)
Total Net Assets	<u>114,710,591</u>	<u>110,078,590</u>	<u>(4,631,999)</u>

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

Governmental Activities

Revenue in the Governmental Funds is divided into general revenue, which funds the basic on-going instructional programs and related support services, and program revenue, which funds specific program activities that support the children, enrolled in Del Mar schools. Revenues from the District's governmental activities were \$46,996,779 (see Table A-2) while expenditures were \$51,628,779 (see Table A-3).

**Table A-2
Revenue for Governmental Activities**

	2010-2011	2011-2012
Program Revenue	\$ 4,620,703	\$ 4,116,683
General Revenue	43,279,613	42,880,096
	\$ 47,900,316	\$ 46,996,779

The primary sources of general revenue are state revenue and local property taxes and represent approximately 99% 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 many of the programs operated by the district.

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

**Table A-3
Expenditure for Governmental Activities**

	2010-2011	2011-2012
Classroom Instruction	\$ 32,900,934	\$ 33,344,259
Instructional Services	3,907,659	4,222,219
Pupil Services	2,130,602	2,449,304
General Administration	2,138,308	2,159,329
Plant Services	4,508,843	4,249,746
Other Services & Activities	4,352,211	5,203,922
	\$ 49,938,557	\$ 51,628,779

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance as a whole is reflected in the District's governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of over \$21 million. Below in Table A-4 is a list of all the various District funds balances at the end of the 2010-2011 and 2011-2012 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**

	2010-2011	2011-2012	Variance
General Fund	\$ 15,413,945	\$ 13,022,606	(\$2,391,339)
Cafeteria	56,095	43,806	(12,289)
Deferred Maintenance	492,196	456,771	(35,425)
Special Reserve	0	0	0
Capital Facilities	282,414	333,910	51,496
Special Reserve for Capital Projects	1,478,591	1,276,135	(202,456)
Community Facilities District 95-1, 99-1	6,102,559	5,787,033	(315,526)
Total Governmental Funds	\$ 23,825,800	\$ 20,920,261	(\$2,905,539)
Other Enterprise	\$ 671,316	\$ 639,264	(\$32,052)
Total Proprietary Funds	\$ 671,316	\$ 639,264	(\$32,052)
Foundation Trust	\$ 43,542	\$ 43,547	\$ 5
Total Fiduciary Funds	\$ 43,542	\$ 43,347	\$ 5
Total All Funds	\$ 24,540,658	\$ 21,603,072	(\$2,937,586)

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

Long-Term Debt

At year end, the District had over \$30 million in special tax bonds, capital leases payable, and other long-term debt outstanding. More detail about the District’s long-term debt is detailed in Table A-5 below. Additional information regarding the long-term liabilities is presented in the notes to the financial statements.

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

	2010-2011	2011-2012
Special Tax Bonds	28,560,000	28,305,000
Other General Long-Term Debt	75,019	(20,609)
Capital Lease Payable	200,621	398,970
Net OPEB Obligation	1,457,910	2,029,907
Compensated Absences	201,738	182,654
Total	30,495,288	30,895,922

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. In September 2009 the 1999 Certificates of Participation was paid in full. Interest on the Bonds is payable on September 1, 2007 and semi-annually thereafter on each September 1 and March 1.

CFD 99-1

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

The District recently 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 is due on March 1, 2013 and semi-annually thereafter on March 1 and September 1.

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

General Fund Budgetary Highlights

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

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012
(Unaudited)**

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

Capital Assets

At the end of the fiscal year 2011-2012, the District had \$142,945,672 invested in land, land improvements, buildings and equipment. After accumulated depreciation of \$23,915,790 is applied, the value of net capital assets is \$119,029,882.

Current Financial Related Activities

Over the years, Del Mar Union School District has maintained a strong, financially responsible budget. Each year the district takes a careful look at revenue and expenditure projections on a multi-year basis and adjusts the budget accordingly. Adjustments are necessary in order to maintain an acceptable and safe reserve balance. As the preceding information shows, assets are substantial and the amount of debt paid from general revenues is a very small percentage of the overall budget. However, the financial future is still full of challenges. Prudent planning and conservative spending must be a priority as the uncertainty of basic aid funding will continue. The reserves will help to minimize the impact of any loss of revenue and will allow sufficient planning time to secure alternative funding sources and reduce programs if necessary.

Contacting the District

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

Basic Financial Statements

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash	\$ 19,774,033	\$ 807,550	\$ 20,581,583	\$ 108,357
Receivables	2,626,356	222	2,626,578	-
Due from (to) Other Funds	78,640	(78,640)	-	-
Prepaid Expenses	879,673	1,430	881,103	-
Other Current Assets	8,032	-	8,032	-
Capital Assets:				
Land	36,813,151	-	36,813,151	-
Land Improvements	2,427,808	-	2,427,808	-
Buildings	100,014,838	-	100,014,838	-
Equipment	3,404,181	-	3,404,181	-
Work in Progress	285,694	-	285,694	-
Less Accumulated Depreciation	(23,915,790)	-	(23,915,790)	-
Total Assets	<u>142,396,616</u>	<u>730,562</u>	<u>143,127,178</u>	<u>108,357</u>
LIABILITIES:				
Accounts Payable and Other Current Liabilities	886,555	48,268	934,823	1,521
Deferred Revenue	1,174,813	43,030	1,217,843	-
Long-Term Liabilities:				
Due Within One Year	769,687	-	769,687	-
Due in More Than One Year	30,126,235	-	30,126,235	-
Total Liabilities	<u>32,957,290</u>	<u>91,298</u>	<u>33,048,588</u>	<u>1,521</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	90,418,656	-	90,418,656	-
Restricted for:				
Capital Projects	7,397,079	-	7,397,079	-
Educational Programs	222,871	-	222,871	-
Other Purposes (Expendable)	500,576	-	500,576	8,970
Other Purposes (Nonexpendable)	25,000	-	25,000	-
Unrestricted	10,875,144	639,264	11,514,408	97,866
Total Net Assets	<u>\$ 109,439,326</u>	<u>\$ 639,264</u>	<u>\$ 110,078,590</u>	<u>\$ 106,836</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, 2012

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
Instruction	\$ 33,344,259	\$ -	\$ 3,085,367	\$ -	\$ (30,258,892)	\$ -	\$ (30,258,892)	\$ -
Instruction-Related Services:								
Instructional Supervision and Administration	750,438	-	119,032	-	(631,406)	-	(631,406)	-
Instructional Library, Media and Technology	1,117,822	-	-	-	(1,117,822)	-	(1,117,822)	-
School Site Administration	2,353,959	-	-	-	(2,353,959)	-	(2,353,959)	-
Pupil Services:								
Home-to-School Trans- portation	684,017	-	61,775	-	(622,242)	-	(622,242)	-
Food Services	633,230	518,834	92,422	-	(21,974)	-	(21,974)	-
All Other Pupil Services	1,132,057	-	32,926	-	(1,099,131)	-	(1,099,131)	-
General Administration:								
All Other General Administration	2,159,329	17,124	11,262	-	(2,130,943)	-	(2,130,943)	-
Plant Services	4,249,746	-	4,070	-	(4,245,676)	-	(4,245,676)	-
Enterprise Activities	31,086	-	-	-	(31,086)	-	(31,086)	-
Interest on Long-Term Debt	1,833,050	-	-	-	(1,833,050)	-	(1,833,050)	-
Other Outgo	272,265	-	173,871	-	(98,394)	-	(98,394)	-
Business-Type Activities								
Enterprise Activities	3,067,521	-	-	-	-	(3,067,521)	(3,067,521)	-
Total Expenses	\$ 51,628,779	\$ 535,958	\$ 3,580,725	\$ -	\$ (44,444,575)	\$ (3,067,521)	\$ (47,512,096)	\$ -
Component Unit:								
Del Mar Schools Education Foundation								
Contributions to Del Mar Union School District	1,182,027	-	-	-	-	-	-	(1,182,027)
Direct Program Services	4,111	-	-	-	-	-	-	(4,111)
Fundraising Expenses	45,800	-	-	-	-	-	-	(45,800)
Other Supporting Services	39,110	-	-	-	-	-	-	(39,110)
Total Expenses	\$ 1,271,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,271,048)
General Revenues:								
Taxes and Subventions:								
Taxes Levied for General Purposes					33,142,130	-	33,142,130	-
Taxes Levied for Debt Service					-	-	-	-
Taxes Levied for Other Specific Purposes					2,586,380	-	2,586,380	-
Federal and State Aid Not Restricted to Specific Programs					1,641,967	-	1,641,967	-
Interest and Investment Earnings					74,857	2,960	77,817	68
Interagency Revenues					186,047	-	186,047	-
Miscellaneous					2,213,246	3,032,509	5,245,755	1,285,658
Total Revenues					\$ 39,844,627	\$ 3,035,469	\$ 42,880,096	\$ 1,285,726
Change in Net Assets					(4,599,948)	(32,052)	(4,632,000)	14,678
Net Assets Beginning					114,039,274	671,316	114,710,590	92,158
Net Assets Ending					\$ 109,439,326	\$ 639,264	\$ 110,078,590	\$ 106,836

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 11,893,701	\$ 4,987,917	\$ 2,084,826	\$ 18,966,444
Cash in Revolving Fund	25,000	-	-	25,000
Cash with a Fiscal Agent/Trustee	-	782,589	-	782,589
Accounts Receivable	2,474,652	96,850	54,854	2,626,356
Due from Other Funds	136,455	-	-	136,455
Prepaid Expenditures	202,931	-	-	202,931
Other Current Assets	8,032	-	-	8,032
Total Assets	\$ 14,740,771	\$ 5,867,356	\$ 2,139,680	\$ 22,747,807
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 543,351	\$ 50,323	\$ 1,244	\$ 594,918
Due to Other Funds	-	30,000	27,814	57,814
Deferred Revenue	1,174,814	-	-	1,174,814
Total Liabilities	1,718,165	80,323	29,058	1,827,546
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	25,000	-	-	25,000
Prepaid Items	202,931	-	-	202,931
Restricted Fund Balances	222,872	5,787,033	43,805	6,053,710
Unassigned:				
Other Unassigned	12,571,803	-	-	12,571,803
Unassigned, reported in nonmajor:				
Special Revenue Funds	-	-	456,772	456,772
Capital Projects Funds	-	-	1,610,045	1,610,045
Total Fund Balance	13,022,606	5,787,033	2,110,622	20,920,261
Total Liabilities and Fund Balances	\$ 14,740,771	\$ 5,867,356	\$ 2,139,680	\$ 22,747,807

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances - governmental funds balance sheet \$ 20,920,261

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	142,945,672	
Accumulated depreciation	(23,915,790)	
Net:		119,029,882

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 are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are: 676,742

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 unamatured interest owing at the end of the period was: (291,637)

Long-Term Liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Special Tax Bonds	18,457,135	
Net OPEB Obligation	2,029,907	
Compensated Absences Payable	182,654	
Lease Revenue Bonds Payable	9,827,256	
Capital Leases Payable	398,970	
Total		<u>(30,895,922)</u>

Net assets of governmental activities - Statement of Net Assets \$ 109,439,326

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, 2012

	General Fund	Capital Project Fund for Blended Component Unit	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (4,937)	\$ -	\$ -	\$ (4,937)
Local Sources	33,142,129	-	-	33,142,129
Federal Revenue	1,244,529	-	90,795	1,335,324
Other State Revenue	2,195,846	-	5,107	2,200,953
Other Local Revenue	3,912,217	2,764,320	616,613	7,293,150
Total Revenues	<u>40,489,784</u>	<u>2,764,320</u>	<u>712,515</u>	<u>43,966,619</u>
Expenditures:				
Instruction	30,833,668	-	-	30,833,668
Instruction - Related Services	4,114,716	-	-	4,114,716
Pupil Services	1,798,912	-	623,034	2,421,946
General Administration	2,032,577	-	37,082	2,069,659
Plant Services	4,356,253	618,147	251,072	5,225,472
Direct Support/Indirect Costs	31,186	-	-	31,186
Debt Service:				
Principal	156,388	9,435,000	740,000	10,331,388
Interest	7,493	187,509	1,831,446	2,026,448
Total Expenditures	<u>43,331,193</u>	<u>10,240,656</u>	<u>3,482,634</u>	<u>57,054,483</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,841,409)</u>	<u>(7,476,336)</u>	<u>(2,770,119)</u>	<u>(13,087,864)</u>
Other Financing Sources (Uses):				
Transfers In	95,030	-	2,571,446	2,666,476
Transfers Out	(30)	(2,666,446)	-	(2,666,476)
Proceeds From Sale of Bonds	-	9,920,000	-	9,920,000
Other Sources	355,070	-	-	355,070
Other Uses	-	(92,744)	-	(92,744)
Total Other Financing Sources (Uses)	<u>450,070</u>	<u>7,160,810</u>	<u>2,571,446</u>	<u>10,182,326</u>
Net Change in Fund Balance	(2,391,339)	(315,526)	(198,673)	(2,905,538)
Fund Balance, July 1	15,413,945	6,102,559	2,309,295	23,825,799
Fund Balance, June 30	<u>\$ 13,022,606</u>	<u>\$ 5,787,033</u>	<u>\$ 2,110,622</u>	<u>\$ 20,920,261</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICTRECONCILIATION 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, 2012

Net change in fund balances - total governmental funds \$ (2,905,538)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital Outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for Capital Outlay	942,556	
Depreciation Expense	<u>(2,358,803)</u>	
Net		(1,416,247)

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: 10,331,388

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 are proceeds from debt, net of issue premium or discount, were: (10,182,326)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: 20,885

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: (88,577)

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: 190,162

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: 19,084

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount it 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 is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 3,218

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:

(571,997)

Change in net assets of governmental activities - Statement of Activities

\$ (4,599,948)

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

ENTERPRISE FUND

JUNE 30, 2012

	Enterprise Fund
	Enterprise Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 807,550
Accounts Receivable	222
Prepaid Expenditures	1,430
Total Current Assets	<u>809,202</u>
Total Assets	<u>\$ 809,202</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 48,268
Due to Other Funds	78,640
Deferred Revenue	43,030
Total Current Liabilities	<u>169,938</u>
Total Liabilities	<u>169,938</u>
NET ASSETS:	
Unrestricted Net Assets	639,264
Total Net Assets	<u>\$ 639,264</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 ASSETS - ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Fund
	<u>Enterprise Fund</u>
Operating Revenues:	
Local Revenue	\$ 3,035,469
Total Revenues	<u>3,035,469</u>
Operating Expenses:	
Certificated Personnel Salaries	216,105
Classified Personnel Salaries	1,927,959
Employee Benefits	491,172
Books and Supplies	174,664
Services and Other Operating Expenses	257,620
Total Expenses	<u>3,067,520</u>
Operating Income (Loss)	<u>(32,051)</u>
Income (Loss) before Contributions and Transfers	(32,051)
Change in Net Assets	<u>(32,051)</u>
Total Net Assets - Beginning	671,315
Total Net Assets - Ending	<u>\$ 639,264</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,033,384
Cash Payments to Employees for Services	(2,635,236)
Cash Payments to Other Suppliers for Goods and Services	(436,962)
Net Cash Provided (Used) by Operating Activities	<u>(38,814)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	2,959
Net Cash Provided (Used) for Investing Activities	<u>2,959</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,855)
Cash and Cash Equivalents at Beginning of Year	843,405
Cash and Cash Equivalents at End of Year	<u>\$ 807,550</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (32,051)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	873
Decrease (Increase) in Due From	210
Decrease (Increase) in Prepaid Expenses	(1,430)
Increase (Decrease) in Accounts Payable	20,978
Increase (Decrease) in Due To	(67,465)
Increase (Decrease) in Deferred Revenue	43,030
Total Adjustments	<u>(3,804)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (35,855)</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private-Purpose Trust Funds
	Foundation Private-Purpose Trust Fund
ASSETS:	
Cash in County Treasury	\$ 43,507
Accounts Receivable	40
Total Assets	<u>\$ 43,547</u>
LIABILITIES:	
Total Liabilities	<u>\$ -</u>
NET ASSETS:	
Held in Trust	\$ 43,547
Total Net Assets	<u>\$ 43,547</u>

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Foundation Private-Purpose Trust Fund
Additions:	
Investment Income	\$ 205
Total Additions	<u>205</u>
Deductions:	
Administrative Expenses	200
Total Deductions	<u>200</u>
Change in Net Assets	5
Net Assets-Beginning of the Year	43,542
Net Assets-End of the Year	<u>\$ 43,547</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, 2012

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

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

Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. 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
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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

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

The District reports the following major governmental funds:

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

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

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

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds. These funds are used to account for the proceeds of bond issuances and for the acquisition of capital assets of the district.

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

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

b. Measurement Focus, Basis of Accounting

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

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. 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

c. Capital Assets

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

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

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

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 assets.

g. Property Taxes

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

h. 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.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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

j. Minimum Fund Balance Policy

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

k. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other than Capital Outlay) is combined with the General Fund for purposes of presentation in the audit report.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$19,817,501 as of June 30, 2012). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$19,870,317. 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 in banks and in the revolving fund (\$25,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

3. Investments:

The District's investments at June 30, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Blackrock T-Funds	\$ 782,589
Total Investments	\$ 782,589

3 Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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.

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. At year end, the District was not exposed to custodial credit risk.

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. At year end, 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 Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$19,870,317 and a book value of \$19,817,501. The weighted average days to maturity for this investment pool is 370 days.

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, 2012

4 Investment Accounting Policy

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

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

D. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2012 consist of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal Programs	\$ 261,103	\$ 24,061	-	-	\$ 285,164
State Government:					
Lottery	328,109	4,505	-	-	332,614
Other State Programs	1,773,360	-	-	-	1,773,360
Local Sources:					
Interest	13,961	539	6,017	262	20,779
Other local sources	98,119	-	116,582	-	214,701
Total	<u>\$ 2,474,652</u>	<u>\$ 29,105</u>	<u>\$ 122,599</u>	<u>\$ 262</u>	<u>\$ 2,626,618</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

E. Capital Assets

Capital asset activity for the year ended June 30, 2012 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	7,095,370	285,694	7,095,370	285,694
Total capital assets not being depreciated	<u>43,908,521</u>	<u>285,694</u>	<u>7,095,370</u>	<u>37,098,845</u>
Capital assets being depreciated:				
Buildings	92,952,169	7,062,669	-	100,014,838
Improvements	2,078,850	671,735	322,777	2,427,808
Equipment	3,422,076	17,833	35,728	3,404,181
Total capital assets being depreciated	<u>98,453,095</u>	<u>7,752,237</u>	<u>358,505</u>	<u>105,846,827</u>
Less accumulated depreciation for:				
Buildings	(18,703,825)	(2,108,704)	-	(20,812,529)
Improvements	(1,282,511)	(94,211)	(249,831)	(1,126,891)
Equipment	(1,840,578)	(155,889)	(20,097)	(1,976,370)
Total accumulated depreciation	<u>(21,826,914)</u>	<u>(2,358,804)</u>	<u>(269,928)</u>	<u>(23,915,790)</u>
Total capital assets being depreciated, net	<u>76,626,181</u>	<u>5,393,433</u>	<u>88,577</u>	<u>81,931,037</u>
Governmental activities capital assets, net	<u>\$ 120,534,702</u>	<u>\$ 5,679,127</u>	<u>\$ 7,183,947</u>	<u>\$ 119,029,882</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,110,148
Instruction-Related Services	62,436
Pupil Services	7,204
Plant Services	179,016
	<u>\$ 2,358,804</u>

F. Accounts Payable

Accounts payable balances as of June 30, 2012 consist of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
<u>Accounts Payable:</u>					
Vendor payables	\$ 176,811	\$ -	\$ 50,635	\$ 25,624	\$ 253,070
Payroll and benefits	366,540	932	-	22,644	390,116
Total	<u>\$ 543,351</u>	<u>\$ 932</u>	<u>\$ 50,635</u>	<u>\$ 48,268</u>	<u>\$ 643,186</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2012 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Fund	\$ 26,940	Indirect costs
General Fund	Cafeteria Fund	875	OPEB
General Fund	Capital Projects Fund	30,000	Administration fee CFD 99-1
General Fund	Enterprise Fund	69,456	Reimbursement of expenses
General Fund	Enterprise Fund	9,184	OPEB
		<u>\$ 136,455</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, 2012 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
Special Reserve Fund	General Fund	\$ 30	Close out Fund 17
Capital Projects Fund	Debt Service Fund	1,298,673	Debt service payments
Capital Projects Fund	General Fund	35,000	Administration fees
Capital Projects Fund	Debt Service Fund	1,272,774	Debt service payments
Capital Projects Fund	General Fund	60,000	Administration fees
		<u>\$ 2,666,477</u>	

H. 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.

I. 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, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Special tax bonds	\$ 28,560,000	\$ 9,920,000	\$ 10,175,000	\$ 28,305,000	\$ 435,000
Capital leases	200,621	355,070	156,721	398,970	152,033
Net OPEB obligation	1,457,910	693,212	121,215	2,029,907	-
Compensated absences *	201,738	-	19,084	182,654	182,654
Unamortized premium	75,019	-	2,884	72,135	-
Unamortized discount	-	(92,744)	-	(92,744)	-
Total governmental activities	<u>\$ 30,495,288</u>	<u>\$ 10,875,538</u>	<u>\$ 10,474,904</u>	<u>\$ 30,895,922</u>	<u>\$ 769,687</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

* Other long-term liabilities

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation, discount, and unamortized premium, at June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 769,687	\$ 1,151,130	\$ 1,920,817
2014	791,742	1,246,875	2,038,617
2015	820,195	1,219,603	2,039,798
2016	755,000	1,192,022	1,947,022
2017	785,000	1,165,260	1,950,260
2018-2022	4,360,000	5,357,473	9,717,473
2023-2027	5,335,000	4,348,303	9,683,303
2028-2032	6,695,000	2,946,406	9,641,406
2033-2037	7,365,000	1,168,397	8,533,397
2038-2042	1,210,000	59,719	1,269,719
Totals	\$ 28,886,624	\$ 19,855,188	\$ 48,741,812

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2012 are as follows:

<u>Year Ending June 30:</u>	
2013	\$ 164,215
2014	164,214
2015	92,810
Total Minimum Lease Payments	\$ 421,239
Less Amounts Representing Interest	(22,269)
Net Minimum Lease Payments	\$ 398,970

4. Unamortized Premium and Discount

Special Tax Bonds issued in the year ended June 30, 2007 were sold at a premium, meaning that the market rate of interest was lower than the stated rate of interest on the Bonds; therefore, they were sold for more than the face value.

Special Tax Bonds issued in the year ended June 30, 2012 were sold at a discount, meaning that the market rate of interest was higher than the stated rate of interest on the Bonds; therefore, they were sold for less than the face value.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

Generally Accepted Accounting Principles (GAAP) requires that this premium and this discount be amortized over the life of the debt. The carrying value reported on the government-wide balance sheet was presented in accordance with GAAP and was:

	Face Value	Unamortized Premium (Discount)	Carrying Value
2007 Special Tax Bonds	\$ 18,385,000	\$ 72,135	\$ 18,457,135
2012 Special Tax Refunding Bonds	9,920,000	(92,744)	9,827,256
	<u>\$ 28,305,000</u>	<u>\$ (20,609)</u>	<u>\$ 28,284,391</u>

5. General Obligation Bonds

General obligation bonds at June 30, 2012 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2003 Special Tax Bonds	2003	2.00-5.38%	2038	\$ 10,620,000
2007 Special Tax Bonds	2007	4.25-5.50%	2036	19,955,000
2012 Tax Refunding Bonds	2012	1.00-4.625%	2038	9,920,000
Total GO Bonds				<u>\$ 40,495,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2003 Special Tax Bonds	\$ 9,760,000	\$ -	\$ 9,760,000	\$ -
2007 Special Tax Bonds	18,800,000	-	415,000	18,385,000
2012 Tax Refunding Bonds	-	9,920,000	-	9,920,000
Unamortized Premium	75,019	-	2,884	72,135
Unamortized Discount	-	(92,744)	-	(92,744)
Total GO Bonds	<u>\$ 28,635,019</u>	<u>\$ 9,827,256</u>	<u>\$ 10,177,884</u>	<u>\$ 28,284,391</u>

The annual requirements to amortize the bonds outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 435,000	\$ 1,138,948	\$ 1,573,948
2014	635,000	1,239,403	1,874,403
2015	730,000	1,216,988	1,946,988
2016	755,000	1,192,022	1,947,022
2017	785,000	1,165,260	1,950,260
2018-2022	4,360,000	5,357,473	9,717,473
2023-2027	5,335,000	4,348,303	9,683,303
2028-2032	6,695,000	2,946,406	9,641,406
2033-2037	7,365,000	1,168,397	8,533,397
2038-2042	1,210,000	59,719	1,269,719
Totals	<u>\$ 28,305,000</u>	<u>\$ 19,832,919</u>	<u>\$ 48,137,919</u>

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

J. Joint Ventures (Joint Powers Agreements)

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

The JPA arranges for and provides for various types of insurance for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2012 is as follows:

Total Assets	\$	554,991
Total Liabilities		70,976
Total Fund Balance		484,015
Total Cash Receipts		522,337
Total Cash Disbursements		670,684
Net Change in Fund Balance		(148,347)

K. Employee Retirement Systems

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 State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2012, 2011 and 2010 were \$821,420, \$647,369 and \$659,536, respectively, and equal 100% of the required contributions for each year.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2012, 2011 and 2010 were \$1,896,207, \$1,848,956 and \$1,763,114, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$1,115,794.

L. Alternative Pension Plan

The District participates in one alternative pension plan through the Fringe Benefit Consortium (FBC). 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 \$17,000 per year of their salary before taxes. The plan earns interest and is paid out upon termination of service, death, or in-service withdrawal.

M. Postemployment Benefits Other Than Pension Benefits

Plan Description

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

The District currently provides retiree health benefits to age 65 to approximately 393 active and 19 retired employees.

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

Contribution Information

The medical plans are partially experienced-rated insured plans. The premium rates may vary by plans selected, coverage tier and Medicare eligibility. The District currently offers a Kaiser Permanente HMO Plan, an Anthem Blue Cross HMO Plan and two Anthem Blue Cross PPO Plans. The District also offers a self-insured Delta Dental Plan and self-insured VSP Vision Plan through the San Diego FBC.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 785,486
Interest on net OPEB obligation	7,290
Adjustment to annual required contribution	(99,564)
Annual OPEB cost (expense)	<u>693,212</u>
Contribution made	(121,215)
Increase in net OPEB obligation	<u>571,997</u>
Net OPEB obligation, beginning of year	1,457,910
Net OPEB obligation, end of year	<u>\$ 2,029,907</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 693,212	17.48%	\$ 2,029,907

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 2011 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

Medical cost trend rates ranged from an initial rate of 10.0% reduced to a rate of 5.0% after ten years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2012 of 26 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

N. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ -	\$ (4,937)	\$ (4,937)	\$ -
Local Sources	32,775,281	33,142,129	33,142,129	-
Federal Revenue	1,044,067	1,244,529	1,244,529	-
Other State Revenue	523,534	2,195,846	2,195,846	-
Other Local Revenue	3,185,531	3,912,217	3,912,217	-
Total Revenues	<u>37,528,413</u>	<u>40,489,784</u>	<u>40,489,784</u>	<u>-</u>
Expenditures:				
Current:				
Certificated Salaries	22,660,771	23,098,128	23,098,118	10
Classified Salaries	6,463,944	6,251,700	6,251,697	3
Employee Benefits	7,348,145	7,230,342	7,230,339	3
Books And Supplies	1,469,532	1,776,200	1,776,200	-
Services And Other Operating Expenditures	4,427,089	4,351,473	4,351,469	4
Direct Support/Indirect Costs	8,275	4,247	4,246	1
Capital Outlay	20,000	455,243	455,243	-
Debt Service:				
Principal	-	156,388	156,388	-
Interest	-	7,493	7,493	-
Total Expenditures	<u>42,397,756</u>	<u>43,331,214</u>	<u>43,331,193</u>	<u>21</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,869,343)</u>	<u>(2,841,430)</u>	<u>(2,841,409)</u>	<u>21</u>
Other Financing Sources (Uses):				
Transfers In	-	95,030	95,030	-
Other Sources	-	355,070	355,070	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>450,100</u>	<u>450,100</u>	<u>-</u>
Net Change in Fund Balance	<u>(4,869,343)</u>	<u>(2,391,330)</u>	<u>(2,391,309)</u>	<u>21</u>
Fund Balance, July 1	15,413,915	15,413,915	15,413,915	-
Fund Balance, June 30	<u>\$ 10,544,572</u>	<u>\$ 13,022,585</u>	<u>\$ 13,022,606</u>	<u>\$ 21</u>

DEL MAR UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 3,005,580	\$ 3,005,580	-	\$ 20,600,000	14.6%
7/1/2009	-	3,626,013	3,626,013	-	23,910,000	15.2%
7/1/2011	-	4,772,123	4,772,123	-	25,175,000	19.0%

DEL MAR UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

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) is 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.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 500,218	\$ 1,584,608	\$ 2,084,826
Accounts Receivable	29,105	25,749	54,854
Total Assets	<u>\$ 529,323</u>	<u>\$ 1,610,357</u>	<u>\$ 2,139,680</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 932	\$ 312	\$ 1,244
Due to Other Funds	27,814	-	27,814
Total Liabilities	<u>28,746</u>	<u>312</u>	<u>29,058</u>
Fund Balance:			
Nonspendable Fund Balances:			
Restricted Fund Balances	43,805	-	43,805
Unassigned:			
Unassigned, reported in nonmajor:			
Special Revenue Funds	456,772	-	456,772
Capital Projects Funds	-	1,610,045	1,610,045
Total Fund Balance	<u>500,577</u>	<u>1,610,045</u>	<u>2,110,622</u>
Total Liabilities and Fund Balances	<u>\$ 529,323</u>	<u>\$ 1,610,357</u>	<u>\$ 2,139,680</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, 2012

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 90,795	\$ -	\$ -	\$ 90,795
Other State Revenue	5,107	-	-	5,107
Other Local Revenue	544,088	-	72,525	616,613
Total Revenues	<u>639,990</u>	<u>-</u>	<u>72,525</u>	<u>712,515</u>
Expenditures:				
Pupil Services	623,034	-	-	623,034
General Administration	26,940	-	10,142	37,082
Plant Services	37,729	-	213,343	251,072
Debt Service:				
Principal	-	740,000	-	740,000
Interest	-	1,831,446	-	1,831,446
Total Expenditures	<u>687,703</u>	<u>2,571,446</u>	<u>223,485</u>	<u>3,482,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(47,713)</u>	<u>(2,571,446)</u>	<u>(150,960)</u>	<u>(2,770,119)</u>
Other Financing Sources (Uses):				
Transfers In	-	2,571,446	-	2,571,446
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,571,446</u>	<u>-</u>	<u>2,571,446</u>
Net Change in Fund Balance	(47,713)	-	(150,960)	(198,673)
Fund Balance, July 1	548,290	-	1,761,005	2,309,295
Fund Balance, June 30	<u>\$ 500,577</u>	<u>\$ -</u>	<u>\$ 1,610,045</u>	<u>\$ 2,110,622</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 43,886	\$ 456,332	\$ 500,218
Accounts Receivable	28,666	439	29,105
Total Assets	<u>\$ 72,552</u>	<u>\$ 456,771</u>	<u>\$ 529,323</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 932	\$ -	\$ 932
Due to Other Funds	27,814	-	27,814
Total Liabilities	<u>28,746</u>	<u>-</u>	<u>28,746</u>
Fund Balance:			
Nonspendable Fund Balances:			
Restricted Fund Balances	43,805	-	43,805
Unassigned:			
Unassigned, reported in nonmajor:			
Special Revenue Funds	1	456,771	456,772
Total Fund Balance	<u>43,806</u>	<u>456,771</u>	<u>500,577</u>
Total Liabilities and Fund Balances	<u>\$ 72,552</u>	<u>\$ 456,771</u>	<u>\$ 529,323</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, 2012

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 90,795	\$ -	\$ 90,795
Other State Revenue	5,107	-	5,107
Other Local Revenue	541,784	2,304	544,088
Total Revenues	<u>637,686</u>	<u>2,304</u>	<u>639,990</u>
Expenditures:			
Pupil Services	623,034	-	623,034
General Administration	26,940	-	26,940
Plant Services	-	37,729	37,729
Total Expenditures	<u>649,974</u>	<u>37,729</u>	<u>687,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,288)</u>	<u>(35,425)</u>	<u>(47,713)</u>
Net Change in Fund Balance	(12,288)	(35,425)	(47,713)
Fund Balance, July 1	56,094	492,196	548,290
Fund Balance, June 30	<u>\$ 43,806</u>	<u>\$ 456,771</u>	<u>\$ 500,577</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2012

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 309,657	\$ 1,274,951	\$ 1,584,608
Accounts Receivable	24,565	1,184	25,749
Total Assets	<u>\$ 334,222</u>	<u>\$ 1,276,135</u>	<u>\$ 1,610,357</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 312	-	\$ 312
Total Liabilities	<u>312</u>	<u>-</u>	<u>312</u>
Fund Balance:			
Unassigned:			
Unassigned, reported in nonmajor:			
Capital Projects Funds	<u>333,910</u>	<u>1,276,135</u>	<u>1,610,045</u>
Total Fund Balance	<u>333,910</u>	<u>1,276,135</u>	<u>1,610,045</u>
Total Liabilities and Fund Balances	<u>\$ 334,222</u>	<u>\$ 1,276,135</u>	<u>\$ 1,610,357</u>

DEL MAR UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 61,638	\$ 10,887	\$ 72,525
Total Revenues	<u>61,638</u>	<u>10,887</u>	<u>72,525</u>
Expenditures:			
General Administration	10,142	-	10,142
Plant Services	-	213,343	213,343
Total Expenditures	<u>10,142</u>	<u>213,343</u>	<u>223,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>51,496</u>	<u>(202,456)</u>	<u>(150,960)</u>
Net Change in Fund Balance	51,496	(202,456)	(150,960)
Fund Balance, July 1	282,414	1,478,591	1,761,005
Fund Balance, June 30	<u>\$ 333,910</u>	<u>\$ 1,276,135</u>	<u>\$ 1,610,045</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, 2012

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>
Scott Wooden	President	Four year term Expires December 2014
Comischell Rodriguez	Clerk	Four year term Expires December 2012
Doug Perkins	Member	Four year term Expires December 2012
Doug Rafner	Member	Four year term Expires December 2014
Kristin Gibson	Member	Four year term Expires December 2014

Administration

James Peabody
Superintendent

Holly McClurg, PhD
Assistant Superintendent
Curriculum & Instruction

Cathy Birks
Assistant Superintendent
Business Services

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2012

TABLE D-1

	Second Period Report *		Annual Report *	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	559.71	N/A	561.27	N/A
Grades 1 through 3	1,826.65	N/A	1,829.18	N/A
Grades 4 through 6	1,825.07	N/A	1,826.32	N/A
Special education	60.29	N/A	60.71	N/A
Elementary totals	<u>4,271.72</u>	<u>N/A</u>	<u>4,277.48</u>	<u>N/A</u>
ADA totals	<u>4,271.72</u>	<u>N/A</u>	<u>4,277.48</u>	<u>N/A</u>

* N/A-There were no audit adjustments to the Second Period or Annual reports of 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, 2012

TABLE D-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	38,210	35,663	36,000	33,600	42,290	179	-	Complied
Grade 1	49,590	46,284	50,400	47,040	54,345	179	-	Complied
Grade 2	49,590	46,284	50,400	47,040	54,345	179	-	Complied
Grade 3	49,590	46,284	50,400	47,040	54,345	179	-	Complied
Grade 4	49,590	46,284	54,000	50,400	54,345	179	-	Complied
Grade 5	49,590	46,284	54,000	50,400	54,345	179	-	Complied
Grade 6	49,590	46,284	54,000	50,400	54,345	179	-	Complied

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

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

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2012

TABLE D-3

<u>General Fund</u>	<u>Budget 2013 (Note 1)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues and other financial sources	\$ <u>39,072,366</u> \$	<u>40,939,884</u> \$	<u>43,383,493</u> \$	<u>43,613,903</u>
Expenditures, other uses and transfers out	<u>43,582,101</u>	<u>43,331,193</u>	<u>43,305,054</u>	<u>40,938,439</u>
Change in fund balance (deficit)	<u>(4,509,735)</u>	<u>(2,391,309)</u>	<u>78,439</u>	<u>2,675,464</u>
Ending fund balance	\$ <u>8,512,851</u> \$	<u>13,022,606</u> \$	<u>15,413,915</u> \$	<u>15,335,476</u>
Available reserves	\$ <u>8,289,979</u> \$	<u>12,571,783</u> \$	<u>15,213,529</u> \$	<u>15,313,445</u>
Available reserves as a percentage of total outgo	<u>19.0%</u>	<u>29.0%</u>	<u>35.1%</u>	<u>37.4%</u>
Total long-term debt	\$ <u>30,054,101</u> \$	<u>30,823,786</u> \$	<u>30,495,319</u> \$	<u>30,336,412</u>
Average daily attendance at P-2	<u>4,272</u>	<u>4,271</u>	<u>4,222</u>	<u>4,060</u>

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

The district's general fund balance has increased by \$364,605 over the past three years. The fiscal year 2012-13 budget projects a decrease of \$4,509,735. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$183,106 over the past three years.

Average daily attendance (ADA) has increased by 110 over the past three years.

Note:

- 1 Budget 2013 is included for analytical purposes only and has not been subjected to audit.

DEL MAR UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

TABLE D-4

The fund balances for all funds as reported by the district in their unaudited financial statements are in agreement with the fund balances reported in the accompanying audited financial statements.

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, 2012

TABLE D-5

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

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

DEL MAR UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Special Education: IDEA *	84.027	13379	\$ 646,587
Special Education: IDEA Mental Health *	84.027	14468	23,914
Special Education: Preschool Local *	84.027A	13682	80,655
Special Education: Preschool Grants *	84.173	13430	42,663
Special Education: IDEA Preschool Staff Development *	84.173A	13430	278
Total Special Education Cluster			<u>794,097</u>
Title III Immigrant	84.365	14346	36,645
Title III Limited English Proficiency	84.365	10084	79,281
Title II Teacher Quality	84.367	14341	31,751
Title II Administrator Training	84.367	14344	3,400
ARRA Education Jobs Fund	84.410	25152	297,534
Total Passed Through State Department of Education			<u>1,242,708</u>
Passed Through San Marcos Unified School District:			
Foundation American History	84.215X	-	1,820
Total U. S. Department of Education			<u>1,244,528</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition: NSL Section 11 *	10.555	13396	56,486
Child Nutrition: NSL Section 4 *	10.555	13391	34,309
Total Child Nutrition Cluster			<u>90,795</u>
Total Passed Through State Department of Education			<u>90,795</u>
Total U. S. Department of Agriculture			<u>90,795</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,335,323</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

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, 2012

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

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 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, 2012, which collectively comprise the Del Mar Union School District's basic financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Del Mar Union School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-1.

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. We did not audit Del Mar Union School District's response and, accordingly, we express no opinion on it.

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

Wilkinson Adley King & Co., LLP

El Cajon, California
December 4, 2012

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 West Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

We have audited Del Mar Union School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Del Mar Union School District's major federal programs for the year ended June 30, 2012. Del Mar Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Del Mar Union School District's management. Our responsibility is to express an opinion on Del Mar Union School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Del Mar Union School District's compliance with those requirements.

In our opinion, Del Mar Union School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Del Mar Union School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Del Mar Union School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Del Mar Union School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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

Wilkinson *Adley* *King & Co., LLP*

El Cajon, California
December 4, 2012

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 West Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report on State Compliance

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

Members of the Board of Trustees:

We have audited the basic financial statements of the Del Mar Union School District ("District") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 4, 2012. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above 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 material effect on the state laws and regulations applicable to the items in the schedule 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>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	N/A
Continuation Education	10	N/A
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	N/A

Exclusion of Pupils - Pertussis Immunization	2	N/A
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Contemporaneous Records of Attendance, For Charter Schools	3	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	4	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.

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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-1.

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. We did not audit Del Mar Union School District's response and, accordingly, we express no opinion on it.

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 4, 2012

Findings and Recommendations Section

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.365	Title III-LEP
84.410	ARRA Education Jobs Fund

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

Auditee qualified as low-risk auditee? X Yes No

DEL MAR UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings reported in the June 30, 2011 audit report.		