

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

AUDIT REPORT

JUNE 30, 2009

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

Introductory Section

Del Mar Union School District
 Audit Report
 For The Year Ended June 30, 2009

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Financial Section

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

Independent Auditor's Report on Financial Statements

Board of Trustees
Del Mar Union School District
Del Mar, 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, 2009, 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 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, 2009, 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 November 13, 2009, 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 the 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.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Del Mar Union School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilkinson Hadley King & Co., LLP

El Cajon, California
November 13, 2009

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2009
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, 2009. 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 2009 are as follows:

- Total net assets (including Business Type Activities) for the District are \$115,965,194
- Outstanding Capital Lease-Purchase Debt decreased from \$291,156 to \$170,123 during the 2008-2009 fiscal year
- The District student enrollment increased to 4,161 in 2008-2009
- Property tax revenue increased by 8% in 2008-2009 over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

Statement of Net 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.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2009
Unaudited**

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 Children's Creative Workshop 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.

The District maintains nine individual governmental funds. Four of these funds are considered major funds: the General Fund, the Community Facilities District Funds (95-1 & 99-1), the Special Reserve Fund for Capital Outlay, and the Enterprise Fund. The other five governmental funds are Cafeteria, Deferred Maintenance, Special Reserve, Developer Fees, and Debt Service Fund for Blended Component Unit.

Major funds are those whose 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.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2009
Unaudited**

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$ 114,434,675 as of June 30, 2009. 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.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2009
Unaudited**

| | 2007-2008 | 2008-2009 | Variance |
|----------------------------------|----------------------|----------------------|-----------------|
| Assets | | | |
| Cash | \$25,033,753 | \$31,386,654 | \$6,352,901 |
| Receivables | 4,766,192 | 1,418,898 | -3,347,294 |
| Due from (to) other funds | 8,132 | 7,343 | -789 |
| Prepaid expenses | 1,076,942 | 1,037,753 | -39,189 |
| Capital assets: | | | 0 |
| Land | 34,912,432 | 34,912,432 | 0 |
| Site improvements | 1,919,001 | 1,919,001 | 0 |
| Buildings | 91,500,302 | 91,521,424 | 21,122 |
| Equipment | 2,977,349 | 3,098,499 | 121,150 |
| Work in progress | 0 | 0 | 0 |
| Less accum. depr. | -15,173,955 | -17,281,975 | -2,108,020 |
| Total assets | <u>147,020,148</u> | <u>148,020,029</u> | <u>999,881</u> |
| Liabilities | | | |
| Accounts payable & liabilities | 1,215,783 | 1,319,872 | \$104,089 |
| Current loans | 0 | 0 | 0 |
| Deferred revenue | 707,522 | 1,793,093 | 1,085,571 |
| Long-term liabilities | 30,744,760 | 30,472,389 | -272,371 |
| <i>Due within one year</i> | 833,128 | 838,428 | 5,300 |
| <i>Due in more than one year</i> | 29,911,632 | 29,633,961 | -277,671 |
| Total Liabilities | <u>32,668,065</u> | <u>33,585,354</u> | <u>917,289</u> |
| Net Assets | | | |
| Invested in capital assets | 85,678,973 | 84,132,609 | (\$1,546,364) |
| Restricted: | | | 0 |
| Capital projects | 11,199,039 | | -11,199,039 |
| Debt service | 0 | | 0 |
| Other purposes (expendable) | 14,898,965 | | -14,898,965 |
| Other purposes | 2,575,106 | | -2,575,106 |
| Unrestricted | | 30,302,066 | 30,302,066 |
| Total Net Assets | <u>\$114,352,083</u> | <u>\$114,434,675</u> | <u>\$82,592</u> |

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2009
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 \$44,734,547 (see Table A-2) while expenditures were \$44,651,955 (see Table A-3).

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

| | 2007-2008 | 2008-2009 |
|------------------|--------------|--------------|
| Program Revenues | \$6,043,107 | \$4,912,014 |
| General Revenues | 35,708,854 | 39,822,533 |
| | \$41,751,961 | \$44,734,547 |

The primary sources of general revenue are state revenue and local property taxes and represent approximately 92% of general revenues. The remaining 8% of general revenues consists of interest earnings, other agency transfers and local income. 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 Government Activities**

| | 2007-2008 | 2008-2009 |
|-----------------------------|--------------|--------------|
| Classroom Instruction | \$25,740,334 | \$30,510,448 |
| Instructional Services | 3,378,814 | 3,897,690 |
| Pupil Services | 1,293,125 | 2,070,208 |
| General Administration | 1,691,533 | 2,144,293 |
| Plant Services | 2,120,428 | 4,309,382 |
| Other Services & Activities | 1,584,620 | 1,719,934 |
| | \$35,708,854 | \$44,651,955 |

FINANCIAL ANALAYSIS OF THE DISTRICT'S FUNDS

The financial performance as a whole is reflected in the District's governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of over \$19.3 million. Below in Table A-4 is a list of all the various District funds balances at the end of the 2007-2008 and 2008-2009 fiscal years. The variance between years is also listed. The fund types are described in the Fund Financial Statements section of this report.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2009
Unaudited**

**Table A-4
Ending Fund Balances By Type**

| | 2007-2008 | 2008-2009 | Variance |
|--|---------------------|---------------------|--------------------|
| General Fund | \$11,481,755 | \$12,292,779 | \$8110,24 |
| Cafeteria | 9 | 5,762 | 5,753 |
| Deferred Maintenance | 801,444 | 796,706 | -4,738 |
| Special Reserve | 1,307,746 | 1,338,789 | 31,043 |
| Capital Facilities | 98,078 | 192,685 | 94,607 |
| Special Reserve for Capital Projects | 7,833,784 | 8,111,282 | 277,498 |
| Community Facilities District 95-1, 99-1 | 6,865,256 | 7,466,813 | 601,557 |
| Total Governmental Funds | \$28,388,072 | \$30,204,816 | \$1,816,744 |
| Other Enterprise | 1,279,612 | 1,530,519 | 250,907 |
| Total Proprietary Funds | 1,279,612 | 1,530,519 | 250,907 |
| Foundation Trust | 44,371 | 43,151 | -1,220 |
| Total Fiduciary Funds | 44,371 | 43,151 | -1,220 |
| Total All Funds | \$29,712,054 | \$31,778,486 | \$2,066,431 |

Long-Term Debt

At year end, the District had over \$30 million in certificates of participation, capital leases payable, lease revenue bonds, 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-6
Outstanding Long-Term Debt**

| | 2007-2008 | 2008-2009 |
|------------------------------|-------------------|-------------------|
| Special Tax Bonds | 30,165,000 | 29,650,000 |
| Other General Long-Term Debt | 83,676 | 80,791 |
| Capital Lease Payable | 291,156 | 170,123 |
| Net OPEB Obligation | 0 | 354,827 |
| Compensated Absences | 204,927 | 216,648 |
| Total | 30,744,759 | 30,472,389 |

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 will be used primarily to finance the acquisition and construction of Ocean Air School and prepay the 1999 Certificates of Participation. The current outstanding principal balance on the 1999 Certificates of Participation is \$11,435,000 and will be paid as they become due prior to September 1, 2009 and prepaid in full on September 1, 2009. Interest on the Bonds is payable on September 1, 2007 and semi-annually thereafter on each September 1 and March 1.

**Del Mar Union School District
Management Discussion and Analysis
Fiscal Year Ending June 30, 2009
Unaudited**

CFD 99-1

Pursuant to the formation resolution and the bond authorization resolution which was approved 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" maturing on September 1, 2029 and September 1, 2038. In October of 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 first interest payment on the bonds was paid on March 1, 2004 and is due semi-annually thereafter on March 1 and September 1. The interest rate varies; in 2005 it is 2% and increases to 5.875% in 2025 through 2038.

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

General Fund Budgetary Highlights

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

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

Capital Assets

At the end of the 2008-2009 fiscal year, the district had \$131,451,356 invested in land, land improvements, buildings, equipment, and capital equipment. After accumulated depreciation of \$17,281,975 is applied, the value of net capital assets is \$114,169,381.

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 it's 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 Dena Whittington, Assistant Superintendent of Business Services, at the Del Mar Union School District, 225 9th Street, Del Mar, CA 92014.

Basic Financial Statements

DEL MAR UNION SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS: | | | | |
| Cash in County Treasury | \$ 30,651,865 | \$ 1,558,258 | \$ 32,210,123 | \$ - |
| Cash in Revolving Fund | 20,000 | - | 20,000 | - |
| Cash in Banks | - | - | - | 88,892 |
| Cash with a Fiscal Agent/Trustee | 714,789 | - | 714,789 | - |
| Accounts Receivable | 1,418,898 | 5,946 | 1,424,844 | 23,951 |
| Internal Balances | 7,343 | (7,343) | - | - |
| Prepaid Expenses | 1,037,753 | - | 1,037,753 | - |
| Capital Assets: | | | | |
| Land | 34,912,432 | - | 34,912,432 | - |
| Improvements | 1,919,001 | - | 1,919,001 | - |
| Buildings | 91,521,424 | - | 91,521,424 | - |
| Equipment | 3,098,499 | - | 3,098,499 | - |
| Total Accumulated Depreciation | (17,281,975) | - | (17,281,975) | - |
| Total Assets | <u>148,020,029</u> | <u>1,556,861</u> | <u>149,576,890</u> | <u>112,843</u> |
| LIABILITIES: | | | | |
| Accounts Payable | 1,319,872 | 26,342 | 1,346,214 | 3,460 |
| Deferred Revenues | 1,793,093 | - | 1,793,093 | - |
| Long-term Liabilities | | | | |
| Due within one year | 838,428 | - | 838,428 | - |
| Due in more than one year | 29,633,961 | - | 29,633,961 | - |
| Total Liabilities | <u>33,585,354</u> | <u>26,342</u> | <u>33,611,696</u> | <u>3,460</u> |
| NET ASSETS: | | | | |
| Invested in Capital Assets, Net of Related Debt | 84,132,609 | - | 84,132,609 | - |
| Restricted For: | | | | |
| Capital Projects | - | - | - | - |
| Other Purposes (expendable) | - | 1,530,519 | 1,530,519 | - |
| Other Purposes (nonexpendable) | - | - | - | 32,929 |
| Unrestricted | 30,302,066 | - | 30,302,066 | 76,454 |
| Total Net Assets | <u>\$ 114,434,675</u> | <u>\$ 1,530,519</u> | <u>\$ 115,965,194</u> | <u>\$ 109,383</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, 2009

| Functions/Programs | Expenses | Program Revenues | |
|-------------------------------|----------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| PRIMARY GOVERNMENT: | | | |
| Government Activities: | | | |
| Instruction | \$ 30,510,448 | \$ - | \$ 3,348,040 |
| Instruction-Related Services | 3,897,690 | - | 306,288 |
| Pupil Services | 2,070,208 | 677,310 | 185,279 |
| General Administration | 2,144,293 | 19,159 | 3,121 |
| Plant Services | 4,309,382 | - | 25,860 |
| Interest on Long-term Debt | 1,660,217 | - | - |
| Other Outgo | 59,717 | - | 346,957 |
| Total Governmental Activities | <u>44,651,955</u> | <u>696,469</u> | <u>4,215,545</u> |
| Business-type Activities: | | | |
| Enterprising Activities | 2,521,522 | - | - |
| Total Primary Government | <u>\$ 47,173,477</u> | <u>\$ 696,469</u> | <u>\$ 4,215,545</u> |
| COMPONENT UNIT: | | | |
| Del Mar Education Foundation | <u>\$ 1,498,005</u> | <u>\$ -</u> | <u>\$ -</u> |

General Revenues:
 Taxes and Subventions
 Federal and State Revenues, not restricted for specific purposes
 Interest and Investment Earnings
 Interagency Revenues
 Miscellaneous
 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | <u>Component Unit</u> |
|------------------------------------|-------------------------------------|-----------------------|---------------------------|
| \$ (27,162,408) | | \$ (27,162,408) | |
| (3,591,402) | | (3,591,402) | |
| (1,207,619) | | (1,207,619) | |
| (2,122,013) | | (2,122,013) | |
| (4,283,522) | | (4,283,522) | |
| (1,660,217) | | (1,660,217) | |
| 287,240 | | 287,240 | |
| <u>(39,739,941)</u> | | <u>(39,739,941)</u> | |
| - | \$ (2,521,522) | (2,521,522) | |
| <u>(39,739,941)</u> | <u>(2,521,522)</u> | <u>(42,261,463)</u> | |
| - | - | - | \$ (1,498,005) |
| 35,089,717 | - | 35,089,717 | - |
| 2,608,242 | - | 2,608,242 | - |
| 738,578 | 33,352 | 771,930 | 2,674 |
| 20,278 | - | 20,278 | - |
| 1,365,718 | 2,739,078 | 4,104,796 | 1,429,920 |
| <u>39,822,533</u> | <u>2,772,430</u> | <u>42,594,963</u> | <u>1,432,594</u> |
| 82,592 | 250,908 | 333,500 | (65,411) |
| 114,352,083 | 1,279,611 | 115,637,754 | 174,794 |
| <u>\$ 114,434,675</u> | <u>\$ 1,530,519</u> | <u>\$ 115,971,254</u> | <u>\$ 109,383</u> |

DEL MAR UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

| | General Fund | Special Reserve Fund |
|--|-----------------------------|----------------------------|
| ASSETS: | | |
| Cash in County Treasury | \$ 13,461,679 | \$ 8,081,889 |
| Cash in Revolving Fund | 20,000 | - |
| Cash with a Fiscal Agent/Trustee | - | - |
| Accounts Receivable | 1,342,259 | 29,393 |
| Due from Other Funds | 30,656 | - |
| Total Assets | <u>\$ 14,854,594</u> | <u>\$ 8,111,282</u> |
| LIABILITIES AND FUND BALANCE: | | |
| Liabilities: | | |
| Accounts Payable | \$ 768,722 | \$ - |
| Due to Other Funds | - | - |
| Deferred Revenue | 1,793,093 | - |
| Total Liabilities | <u>2,561,815</u> | <u>-</u> |
| Fund Balance: | | |
| Reserved Fund Balances: | | |
| Reserve for Revolving Cash | 20,000 | - |
| Reserve for Legally Restricted Balance | 465,001 | - |
| Designated Fund Balances: | | |
| Designated for Economic Uncertainties | 1,187,427 | - |
| Other Designated | 2,482,844 | - |
| Unreserved | 8,137,507 | 8,111,282 |
| Unreserved, reported in nonmajor: | | |
| Special Revenue Funds | - | - |
| Capital Projects Funds | - | - |
| Total Fund Balance | <u>12,292,779</u> | <u>8,111,282</u> |
| Total Liabilities and Fund Balances | <u>\$ 14,854,594</u> | <u>\$ 8,111,282</u> |

The accompanying notes are an integral part of this statement.

| Capital Project Fund for Blended Component Unit | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| \$ 6,743,380 | \$ 2,364,917 | \$ 30,651,865 |
| - | - | 20,000 |
| 714,789 | - | 714,789 |
| 23,444 | 23,803 | 1,418,899 |
| - | - | 30,656 |
| <u>\$ 7,481,613</u> | <u>\$ 2,388,720</u> | <u>\$ 32,836,209</u> |
| | | |
| \$ 14,800 | \$ 31,465 | \$ 814,987 |
| - | 23,313 | 23,313 |
| - | - | 1,793,093 |
| <u>14,800</u> | <u>54,778</u> | <u>2,631,393</u> |
| | | |
| - | - | 20,000 |
| - | - | 465,001 |
| - | - | 1,187,427 |
| - | - | 2,482,844 |
| 7,466,813 | - | 23,715,602 |
| - | 2,141,257 | 2,141,257 |
| - | 192,685 | 192,685 |
| <u>7,466,813</u> | <u>2,333,942</u> | <u>30,204,816</u> |
| <u>\$ 7,481,613</u> | <u>\$ 2,388,720</u> | <u>\$ 32,836,209</u> |

DEL MAR UNION SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

| | | |
|--|--|---------------|
| Total fund balances - governmental funds balance sheet | | \$ 30,204,816 |
|--|--|---------------|

Amounts reported for governmental activities in the statement of net assets are different 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 | 131,451,356 | | |
| Accumulated depreciation | <u>(17,281,975)</u> | | |
| | Net | | 114,169,381 |

| | |
|--|-----------|
| 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: | 1,037,753 |
|--|-----------|

| | |
|--|-----------|
| 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: | (504,886) |
|--|-----------|

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:

| | | | |
|------------------------------|-------------------|--|---------------------|
| Other general long-term debt | 80,791 | | |
| Compensated absences payable | 216,648 | | |
| Capital leases payable | 170,123 | | |
| Net OPEB obligation | 354,827 | | |
| Special tax bonds payable | <u>29,650,000</u> | | |
| | Total | | <u>(30,472,389)</u> |

| | | |
|---|--|-----------------------|
| Net assets of governmental activities - statement of net assets | | \$ <u>114,434,675</u> |
|---|--|-----------------------|

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, 2009

| | <u>General Fund</u> | <u>Special Reserve Fund</u> |
|---|-------------------------|-------------------------------------|
| Revenues: | | |
| Revenue Limit Sources: | | |
| State Apportionments | \$ 1,201 | \$ - |
| Local Sources | 32,662,125 | - |
| Federal Revenue | 718,321 | - |
| Other State Revenue | 3,858,535 | - |
| Other Local Revenue | <u>3,319,527</u> | <u>277,498</u> |
| Total Revenues | <u>40,559,709</u> | <u>277,498</u> |
| Expenditures: | | |
| Instruction | 28,019,849 | - |
| Instruction - Related Services | 3,849,447 | - |
| Pupil Services | 1,276,804 | - |
| General Administration | 2,056,732 | - |
| Plant Services | 4,101,409 | - |
| Other Outgo | 173,756 | - |
| Debt Service: | | |
| Principal | 94,490 | - |
| Interest | <u>8,424</u> | <u>-</u> |
| Total Expenditures | <u>39,580,911</u> | <u>-</u> |
| Excess (Deficiency) of Revenues | | |
| Over (Under) Expenditures | <u>978,798</u> | <u>277,498</u> |
| Other Financing Sources (Uses): | | |
| Transfers In | - | - |
| Transfers Out | <u>(167,774)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(167,774)</u> | <u>-</u> |
| Net Change in Fund Balance | 811,024 | 277,498 |
| Fund Balance, July 1 | <u>11,481,755</u> | <u>7,833,784</u> |
| Fund Balance, June 30 | <u>\$ 12,292,779</u> | <u>\$ 8,111,282</u> |

The accompanying notes are an integral part of this statement.

| <u>Capital Project Fund for Blended Component Unit</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---|---|
| \$ - | \$ - | \$ 1,201 |
| - | - | 32,662,125 |
| - | 57,486 | 775,807 |
| - | 131,418 | 3,989,953 |
| <u>2,789,448</u> | <u>892,444</u> | <u>7,278,917</u> |
| <u>2,789,448</u> | <u>1,081,348</u> | <u>44,708,003</u> |
| - | - | 28,019,849 |
| - | - | 3,849,447 |
| - | 782,034 | 2,058,838 |
| - | 22,746 | 2,079,478 |
| 173,027 | 317,677 | 4,592,113 |
| - | - | 173,756 |
| - | 515,000 | 609,490 |
| - | 1,499,864 | 1,508,288 |
| <u>173,027</u> | <u>3,137,321</u> | <u>42,891,259</u> |
| <u>2,616,421</u> | <u>(2,055,973)</u> | <u>1,816,744</u> |
| - | 2,182,638 | 2,182,638 |
| (2,014,864) | - | (2,182,638) |
| <u>(2,014,864)</u> | <u>2,182,638</u> | <u>-</u> |
| 601,557 | 126,665 | 1,816,744 |
| <u>6,865,256</u> | <u>2,207,277</u> | <u>28,388,072</u> |
| <u>\$ 7,466,813</u> | <u>\$ 2,333,942</u> | <u>\$ 30,204,816</u> |

DEL MAR UNION SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

| | | | | |
|--|--|------------------|----|------------------|
| Net change in fund balances - total governmental funds | | | \$ | 1,816,744 |
| Amounts reported for governmental activities in the statement of activities are different 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 | 312,681 | | |
| | Depreciation expense | <u>2,246,748</u> | | |
| | Net | | | (1,934,067) |
| 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: | | | | |
| | | | | 636,036 |
| 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: | | | | |
| | Issue costs incurred during the period | 150,343 | | |
| | Issue costs amortized for the period | <u>(36,304)</u> | | |
| | Net | | | 114,039 |
| 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: | | | | |
| | | | | (31,681) |
| Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: | | | | |
| | | | | (1,588) |
| 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: | | | | |
| | | | | (11,721) |
| 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: | | | | |
| | | | | (354,827) |
| Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: | | | | |
| | | | | <u>(150,343)</u> |
| Change in net assets of governmental activities - statement of activities | | | \$ | <u>82,592</u> |

The accompanying notes are an integral part of this statement.

DEL MAR UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

ENTERPRISE FUND

JUNE 30, 2009

| | Enterprise Fund |
|---------------------------|----------------------------|
| | <u>Enterprise Fund</u> |
| ASSETS: | |
| Current Assets: | |
| Cash in County Treasury | \$ 1,558,258 |
| Accounts Receivable | 5,946 |
| Total Current Assets | <u>1,564,204</u> |
| Total Assets | <u>\$ 1,564,204</u> |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | \$ 26,342 |
| Due to Other Funds | 7,343 |
| Total Current Liabilities | <u>33,685</u> |
| Total Liabilities | <u>33,685</u> |
| NET ASSETS: | |
| Unrestricted Net Assets | 1,530,519 |
| Total Net Assets | <u>\$ 1,530,519</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, 2009

| | <u>Enterprise Fund</u> |
|--|----------------------------|
| | <u>Enterprise Fund</u> |
| Operating Revenues: | |
| Local Revenue | \$ 2,772,429 |
| Total Revenues | <u>2,772,429</u> |
| Operating Expenses: | |
| Certificated Personnel Salaries | 64,748 |
| Classified Personnel Salaries | 1,833,559 |
| Employee Benefits | 383,885 |
| Books and Supplies | 146,899 |
| Services and Other Operating Expenses | 92,431 |
| Total Expenses | <u>2,521,522</u> |
| Operating Income (Loss) | <u>250,907</u> |
| Income (Loss) before Contributions and Transfers | 250,907 |
| Change in Net Assets | <u>250,907</u> |
| Total Net Assets - Beginning | 1,279,612 |
| Total Net Assets - Ending | <u>\$ 1,530,519</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, 2009

| | Enterprise Fund |
|---|---------------------|
| Cash Flows from Operating Activities: | |
| Cash Received from Customers | \$ 2,745,070 |
| Cash Payments for Payroll and Related Benefits | (2,282,191) |
| Cash Payments to Other Suppliers for Goods and Services | (223,783) |
| Net Cash Provided (Used) by Operating Activities | <u>239,096</u> |
| Cash Flows from Investing Activities: | |
| Interest and Dividends on Investments | 33,351 |
| Net Cash Provided (Used) for Investing Activities | <u>33,351</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 272,447 |
| Cash and Cash Equivalents at Beginning of Year | 1,285,811 |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,558,258</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income (Loss) | \$ 250,907 |
| Change in Assets and Liabilities: | |
| Decrease (Increase) in Receivables | 5,993 |
| Decrease (Increase) in Due From | 130 |
| Increase (Decrease) in Accounts Payable | 16,336 |
| Increase (Decrease) in Due To | (919) |
| Total Adjustments | <u>21,540</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 272,447</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, 2009

| | Private-Purpose Trust Funds |
|-------------------------|---|
| | Foundation Private-Purpose Trust Fund |
| ASSETS: | |
| Cash in County Treasury | \$ 42,990 |
| Accounts Receivable | <u>161</u> |
| Total Assets | <u>\$ 43,151</u> |
| LIABILITIES: | |
| Total Liabilities | <u>-</u> |
| NET ASSETS: | |
| Held in Trust | \$ 43,151 |
| Total Net Assets | <u>\$ 43,151</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, 2009

| | Foundation Private-Purpose Trust Fund |
|----------------------------------|--|
| Additions: | |
| Investment Income | \$ 1,050 |
| Total Additions | <u>1,050</u> |
| Deductions: | |
| Administrative Expenses | <u>2,270</u> |
| Total Deductions | <u>2,270</u> |
| Change in Net Assets | (1,220) |
| Net Assets-Beginning of the Year | <u>44,371</u> |
| Net Assets-End of the Year | <u>\$ 43,151</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, 2009

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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

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

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

The District reports the following major governmental funds:

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

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

Special Reserve for Capital Outlay Fund. This fund is used for the accumulation of resources to be used to acquire capital assets.

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. 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. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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.

f. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

g. 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.

h. Property Taxes

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

i. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

j. 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.

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 |

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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. Excess of Expenditures Over Appropriations

As of June 30, 2009 expenditures exceeded appropriations in individual funds as follows:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> |
|--------------------------------|----------------------------|
| General Fund: | |
| Pupil services | \$ 38,242 |
| General administration | 76,785 |
| Other outgo | 173,756 |
| Debt service-interest | 3,942 |

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$32,253,113 as of June 30, 2009). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$32,253,113. 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 (\$20,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2009 are shown below.

| <u>Investment or Investment Type</u> | <u>Fair Value</u> |
|--------------------------------------|-------------------|
| Blackrock T-Funds | \$ 714,789 |
| Total Investments | \$ 714,789 |

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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. At year end, the District was not exposed to interest rate risk.

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.

5. Investment Accounting Policy

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-----------------------|------------------|-----------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 34,912,432 | \$ - | \$ - | \$ 34,912,432 |
| Work in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>34,912,432</u> | <u>-</u> | <u>-</u> | <u>34,912,432</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 91,500,302 | 21,122 | - | 91,521,424 |
| Improvements | 1,919,001 | - | - | 1,919,001 |
| Equipment | 2,977,349 | 291,559 | 170,409 | 3,098,499 |
| Total capital assets being depreciated | <u>96,396,652</u> | <u>312,681</u> | <u>170,409</u> | <u>96,538,924</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (12,659,678) | (2,009,252) | - | (14,668,930) |
| Improvements | (1,040,235) | (88,100) | - | (1,128,335) |
| Equipment | (1,474,042) | (149,396) | (138,728) | (1,484,710) |
| Total accumulated depreciation | <u>(15,173,955)</u> | <u>(2,246,748)</u> | <u>(138,728)</u> | <u>(17,281,975)</u> |
| Total capital assets being depreciated, net | <u>81,222,697</u> | <u>(1,934,067)</u> | <u>31,681</u> | <u>79,256,949</u> |
| Governmental activities capital assets, net | <u>\$ 116,135,129</u> | <u>\$ (1,934,067)</u> | <u>\$ 31,681</u> | <u>\$ 114,169,381</u> |

Depreciation was charged to functions as follows:

| | |
|------------------------------|---------------------|
| Instruction | \$ 2,150,891 |
| Instruction-Related Services | 48,243 |
| Pupil Services | 11,370 |
| General Administration | 21,414 |
| Plant Services | 14,830 |
| | <u>\$ 2,246,748</u> |

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2009 consisted of the following:

| Due To Fund | Due From Fund | Amount |
|--------------|-----------------|------------------|
| General Fund | Cafeteria Fund | \$ 23,313 |
| General Fund | Enterprise Fund | 7,343 |
| | | <u>\$ 30,656</u> |

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2009 consisted of the following:

| Transfers From | Transfers To | Amount |
|-----------------------------|-----------------------------|---------------------|
| General Fund | Deferred Maintenance Fund | \$ 167,774 |
| Blended Component Unit Fund | Blended Component Unit Fund | 2,014,864 |
| | | <u>\$ 2,182,638</u> |

G. 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.

| Description | Beginning Balance | Issued | Redeemed | Ending Balance |
|------------------------|-------------------|--------------|--------------|----------------|
| Tax anticipation notes | \$ - | \$ 3,800,000 | \$ 3,800,000 | \$ - |

H. 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, 2009 are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---------------------------------|----------------------|-------------------|-------------------|----------------------|-----------------------------|
| <u>Governmental activities:</u> | | | | | |
| Special tax bonds | \$ 30,165,000 | \$ - | \$ 515,000 | \$ 29,650,000 | \$ 535,000 |
| Capital leases | 291,156 | - | 121,033 | 170,123 | 83,895 |
| Net OPEB obligation | - | 523,118 | 168,291 | 354,827 | - |
| Compensated absences * | 204,927 | 11,721 | - | 216,648 | 216,648 |
| Unamortized premium | 83,676 | - | 2,885 | 80,791 | 2,885 |
| Total governmental activities | <u>\$ 30,744,759</u> | <u>\$ 534,839</u> | <u>\$ 807,209</u> | <u>\$ 30,472,389</u> | <u>\$ 838,428</u> |

* Other long-term liabilities

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

| Liability | Activity Type | Fund |
|----------------------|---------------|---------|
| Compensated absences | Governmental | General |

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation, at June 30, 2009 are as follows:

| Year Ending June 30, | Governmental Activities | | |
|----------------------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2010 | \$ 838,428 | \$ 1,483,578 | \$ 2,322,006 |
| 2011 | 644,113 | 1,458,827 | 2,102,940 |
| 2012 | 577,885 | 1,433,218 | 2,011,103 |
| 2013 | 602,885 | 1,408,206 | 2,011,091 |
| 2014 | 632,885 | 1,381,724 | 2,014,609 |
| 2015-2019 | 3,594,425 | 6,457,499 | 10,051,924 |
| 2020-2024 | 4,489,425 | 5,524,964 | 10,014,389 |
| 2025-2029 | 5,729,425 | 4,254,588 | 9,984,013 |
| 2030-2034 | 7,334,425 | 2,547,063 | 9,881,488 |
| 2035-2039 | 5,673,666 | 641,781 | 6,315,447 |
| Totals | <u>\$ 30,117,562</u> | <u>\$ 26,591,448</u> | <u>\$ 56,709,010</u> |

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2009 are as follows:

| Year Ending June 30: | |
|------------------------------------|-------------------|
| 2010 | \$ 88,378 |
| 2011 | 88,175 |
| Total Minimum Lease Payments | \$ 176,553 |
| Less Amounts Representing Interest | (6,430) |
| Net Minimum Lease Payments | <u>\$ 170,123</u> |

4. Unamortized Premium

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. Generally Accepted Accounting Principles (GAAP) requires that this premium 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 the face value of the debt plus the unamortized premium. The total premium for the debt as of June 30, 2009 was \$80,791 resulting in a carrying value of \$29,730,791.

I. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRМ). 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2009 is as follows:

| | | |
|----------------------------|----|---------|
| Total Assets | \$ | 707,840 |
| Total Liabilities | | 70,957 |
| Total Fund Balance | | 636,883 |
| | | |
| Total Cash Receipts | | 505,481 |
| Total Cash Disbursements | | 445,096 |
| Net Change in Fund Balance | | 60,385 |

J. 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 2008-09 was 9.42% 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, 2009, 2008 and 2007 were \$604,492, \$554,198 and \$470,034, respectively, and equal 100% of the required contributions for each year.

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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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 2008-09 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, 2009, 2008 and 2007 were \$1,777,897, \$1,636,650 and \$1,486,577, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$985,686.

K. 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 \$14,000 per year of their salary before taxes. The plan earns interest and is paid out upon termination of service, death, or in-service withdrawal.

L. 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 (\$8,048). 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 348 active and 16 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. 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 District participates in the California Public Employers Program (CAPEP) for its medical coverages. 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 HMO Plan, a Blue Cross HMO Plan and two 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.

Annual OPEB Cost and Net OPEB Obligation

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

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

| | |
|--|-------------------|
| Annual required contribution | \$ 523,118 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | - |
| Contribution made | <u>(168,291)</u> |
| Increase in net OPEB obligation | 354,827 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | <u>\$ 354,827</u> |

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed | Net OPEB Obligation |
|------------------------|---------------------------------|---------------------------|------------------------|
| 2009 | \$ 523,118 | 32.2% | \$ 354,827 |

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. Since this is the first year of implementation, only the current year is presented.

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 May 2007 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorated. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 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, 2009 of 29 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.

DEL MAR UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

M. 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.

N. Subsequent Events

The district issued \$3,920,000 of Tax Revenue Anticipation Notes (TRANS) with an interest rate of 2.0% dated July 1, 2009. The TRANS was sold to supplement the district's cash flow and matures on June 30, 2010.

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the state that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivable have been included in these financial statements.

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, 2009

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Revenue Limit Sources: | | | | |
| State Apportionments | \$ - | \$ - | \$ 1,201 | \$ 1,201 |
| Local Sources | 30,737,401 | 32,663,326 | 32,662,125 | (1,201) |
| Federal Revenue | 717,177 | 766,992 | 718,321 | (48,671) |
| Other State Revenue | 3,778,431 | 4,226,352 | 3,858,535 | (367,817) |
| Other Local Revenue | 2,431,202 | 3,319,532 | 3,319,527 | (5) |
| Total Revenues | <u>37,664,211</u> | <u>40,976,202</u> | <u>40,559,709</u> | <u>(416,493)</u> |
| Expenditures: | | | | |
| Instruction | 27,122,775 | 29,237,747 | 28,019,849 | 1,217,898 |
| Instruction - Related Services | 4,209,112 | 3,935,679 | 3,849,447 | 86,232 |
| Pupil Services | 1,247,616 | 1,238,562 | 1,276,804 | (38,242) |
| General Administration | 1,984,222 | 1,979,947 | 2,056,732 | (76,785) |
| Plant Services | 3,843,852 | 4,375,396 | 4,101,409 | 273,987 |
| Other Outgo | - | - | 173,756 | (173,756) |
| Debt Service: | | | | |
| Principal | 512,666 | 454,911 | 94,490 | 360,421 |
| Interest | 4,482 | 4,482 | 8,424 | (3,942) |
| Total Expenditures | <u>38,924,725</u> | <u>41,226,724</u> | <u>39,580,911</u> | <u>1,645,813</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,260,514)</u> | <u>(250,522)</u> | <u>978,798</u> | <u>1,229,320</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | - | - | (167,774) | (167,774) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(167,774)</u> | <u>(167,774)</u> |
| Net Change in Fund Balance | (1,260,514) | (250,522) | 811,024 | 1,061,546 |
| Fund Balance, July 1 | 11,481,755 | 11,481,755 | 11,481,755 | - |
| Fund Balance, June 30 | <u>\$ 10,221,241</u> | <u>\$ 11,231,233</u> | <u>\$ 12,292,779</u> | <u>\$ 1,061,546</u> |

DEL MAR UNION SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

DEL MAR UNION SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2009

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 6/30/2009 | \$ - | \$ 3,005,580 | \$ 3,005,580 | - | \$ 20,600,000 | 14.6% |

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, 2009

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds (See Exhibit A-3) |
|--------------------------------------|-----------------------------|------------------------------|---|
| ASSETS: | | | |
| Cash in County Treasury | \$ 2,172,608 | \$ 192,309 | \$ 2,364,917 |
| Accounts Receivable | 23,126 | 677 | 23,803 |
| Total Assets | <u>\$ 2,195,734</u> | <u>\$ 192,986</u> | <u>\$ 2,388,720</u> |
| LIABILITIES AND FUND BALANCE: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 31,164 | \$ 301 | \$ 31,465 |
| Due to Other Funds | 23,313 | - | 23,313 |
| Total Liabilities | <u>54,477</u> | <u>301</u> | <u>54,778</u> |
| Fund Balance: | | | |
| Unreserved, reported in nonmajor: | | | |
| Special Revenue Funds | 2,141,257 | - | 2,141,257 |
| Capital Projects Funds | - | 192,685 | 192,685 |
| Total Fund Balance | <u>2,141,257</u> | <u>192,685</u> | <u>2,333,942</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,195,734</u> | <u>\$ 192,986</u> | <u>\$ 2,388,720</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, 2009

| | Special Revenue Funds | Debt Service Fund Blended Component Unit | Capital Projects Funds | Total Nonmajor Governmental Funds (See Exhibit A-5) |
|--|-----------------------------|---|------------------------------|---|
| Revenues: | | | | |
| Federal Revenue | \$ 57,486 | \$ - | \$ - | \$ 57,486 |
| Other State Revenue | 131,418 | - | - | 131,418 |
| Other Local Revenue | 797,212 | - | 95,232 | 892,444 |
| Total Revenues | <u>986,116</u> | <u>-</u> | <u>95,232</u> | <u>1,081,348</u> |
| Expenditures: | | | | |
| Pupil Services | 782,034 | - | - | 782,034 |
| General Administration | 22,121 | - | 625 | 22,746 |
| Plant Services | 317,677 | - | - | 317,677 |
| Debt Service: | | | | |
| Principal | - | 515,000 | - | 515,000 |
| Interest | - | 1,499,864 | - | 1,499,864 |
| Total Expenditures | <u>1,121,832</u> | <u>2,014,864</u> | <u>625</u> | <u>3,137,321</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | <u>(135,716)</u> | <u>(2,014,864)</u> | <u>94,607</u> | <u>(2,055,973)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 167,774 | 2,014,864 | - | 2,182,638 |
| Total Other Financing Sources (Uses) | <u>167,774</u> | <u>2,014,864</u> | <u>-</u> | <u>2,182,638</u> |
| Net Change in Fund Balance | 32,058 | - | 94,607 | 126,665 |
| Fund Balance, July 1 | 2,109,199 | - | 98,078 | 2,207,277 |
| Fund Balance, June 30 | <u>\$ 2,141,257</u> | <u>\$ -</u> | <u>\$ 192,685</u> | <u>\$ 2,333,942</u> |

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2009

| | Cafeteria Fund | Deferred Maintenance Fund | Special Reserve Fund | Total Nonmajor Special Revenue Funds (See Exhibit C-1) |
|--------------------------------------|-------------------|---------------------------------|----------------------------|---|
| ASSETS: | | | | |
| Cash in County Treasury | \$ 44,491 | \$ 794,180 | \$ 1,333,937 | \$ 2,172,608 |
| Accounts Receivable | 15,748 | 2,526 | 4,852 | 23,126 |
| Total Assets | <u>\$ 60,239</u> | <u>\$ 796,706</u> | <u>\$ 1,338,789</u> | <u>\$ 2,195,734</u> |
| LIABILITIES AND FUND BALANCE: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 31,164 | \$ - | \$ - | \$ 31,164 |
| Due to Other Funds | 23,313 | - | - | 23,313 |
| Total Liabilities | <u>54,477</u> | <u>-</u> | <u>-</u> | <u>54,477</u> |
| Fund Balance: | | | | |
| Unreserved, reported in nonmajor: | | | | |
| Special Revenue Funds | 5,762 | 796,706 | 1,338,789 | 2,141,257 |
| Total Fund Balance | <u>5,762</u> | <u>796,706</u> | <u>1,338,789</u> | <u>2,141,257</u> |
| Total Liabilities and Fund Balances | <u>\$ 60,239</u> | <u>\$ 796,706</u> | <u>\$ 1,338,789</u> | <u>\$ 2,195,734</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, 2009

| | Cafeteria Fund | Deferred Maintenance Fund | Special Reserve Fund | Total Nonmajor Special Revenue Funds (See Exhibit C-2) |
|--|-------------------|---------------------------------|----------------------------|---|
| Revenues: | | | | |
| Federal Revenue | \$ 57,486 | \$ - | \$ - | \$ 57,486 |
| Other State Revenue | 3,650 | 127,768 | - | 131,418 |
| Other Local Revenue | 748,772 | 17,397 | 31,043 | 797,212 |
| Total Revenues | <u>809,908</u> | <u>145,165</u> | <u>31,043</u> | <u>986,116</u> |
| Expenditures: | | | | |
| Pupil Services | 782,034 | - | - | 782,034 |
| General Administration | 22,121 | - | - | 22,121 |
| Plant Services | - | 317,677 | - | 317,677 |
| Total Expenditures | <u>804,155</u> | <u>317,677</u> | <u>-</u> | <u>1,121,832</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>5,753</u> | <u>(172,512)</u> | <u>31,043</u> | <u>(135,716)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | - | 167,774 | - | 167,774 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>167,774</u> | <u>-</u> | <u>167,774</u> |
| Net Change in Fund Balance | 5,753 | (4,738) | 31,043 | 32,058 |
| Fund Balance, July 1 | 9 | 801,444 | 1,307,746 | 2,109,199 |
| Fund Balance, June 30 | <u>\$ 5,762</u> | <u>\$ 796,706</u> | <u>\$ 1,338,789</u> | <u>\$ 2,141,257</u> |

DEL MAR UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2009

| | Capital Facilities Fund | Total Nonmajor Capital Projects Funds (See Exhibit C-1) |
|--------------------------------------|-------------------------------|--|
| ASSETS: | | |
| Cash in County Treasury | \$ 192,309 | \$ 192,309 |
| Accounts Receivable | 677 | 677 |
| Total Assets | <u>\$ 192,986</u> | <u>\$ 192,986</u> |
| LIABILITIES AND FUND BALANCE: | | |
| Liabilities: | | |
| Accounts Payable | \$ 301 | \$ 301 |
| Total Liabilities | <u>301</u> | <u>301</u> |
| Fund Balance: | | |
| Unreserved, reported in nonmajor: | | |
| Capital Projects Funds | <u>192,685</u> | <u>192,685</u> |
| Total Fund Balance | <u>192,685</u> | <u>192,685</u> |
| Total Liabilities and Fund Balances | <u>\$ 192,986</u> | <u>\$ 192,986</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, 2009

| | Capital Facilities Fund | Total Nonmajor Capital Projects Funds (See Exhibit C-2) |
|--|-------------------------------|--|
| Revenues: | | |
| Other Local Revenue | \$ 95,232 | \$ 95,232 |
| Total Revenues | <u>95,232</u> | <u>95,232</u> |
| Expenditures: | | |
| General Administration | 625 | 625 |
| Total Expenditures | <u>625</u> | <u>625</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>94,607</u> | <u>94,607</u> |
| Net Change in Fund Balance | 94,607 | 94,607 |
| Fund Balance, July 1 | 98,078 | 98,078 |
| Fund Balance, June 30 | <u>\$ 192,685</u> | <u>\$ 192,685</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, 2009

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 seven elementary schools.

Governing Board

| <u>Name</u> | <u>Office</u> | <u>Term and Term Expiration</u> |
|----------------------|---------------|---|
| Katherine White | President | Four year term Expires Decemer 2010 |
| Steven McDowell | Clerk | Four year term Expires December 2010 |
| Doug Perkins | Member | Four year term Expires December 2010 |
| Dr. Annette Easton | Member | Four year term Expires December 2010 |
| Comischell Rodriquez | Member | Four year term Expires December 2012 |

Administration

Sharon McClain
Superintendent

Holly McClurg
Assistant Superintendent
Curriculum & Instruction

Dena Whittington
Assistant Superintendent
Business Services

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2009

TABLE D-1

| | <u>Second Period Report</u> | <u>Annual Report</u> |
|--------------------|---------------------------------|------------------------|
| Elementary: | | |
| Kindergarten | 574.60 | 573.86 |
| Grades 1 through 3 | 1,720.44 | 1,723.12 |
| Grades 4 through 6 | 1,817.40 | 1,816.82 |
| Special education | 48.38 | 49.01 |
| Elementary totals | <u>4,160.82</u> | <u>4,162.81</u> |
| ADA totals | <u><u>4,160.82</u></u> | <u><u>4,162.81</u></u> |

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, 2009

TABLE D-2

| <u>Grade Level</u> | <u>1982-83 Actual Minutes</u> | <u>1986-87 Minutes Requirement</u> | <u>2008-09 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Number of Days Multitrack Calendar</u> | <u>Status</u> |
|--------------------|-----------------------------------|--|-----------------------------------|--|---|---------------|
| Kindergarten | 31,680 | 36,000 | 42,530 | 180 | - | Complied |
| Grade 1 | 51,200 | 50,400 | 54,570 | 180 | - | Complied |
| Grade 2 | 51,200 | 50,400 | 54,570 | 180 | - | Complied |
| Grade 3 | 51,200 | 50,400 | 54,570 | 180 | - | Complied |
| Grade 4 | 51,200 | 54,000 | 54,570 | 180 | - | Complied |
| Grade 5 | 51,200 | 54,000 | 54,570 | 180 | - | Complied |
| Grade 6 | 51,200 | 54,000 | 54,570 | 180 | - | 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, 2009

TABLE D-3

| <u>General Fund</u> | <u>(Budget)</u> <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|--------------------------------|---------------|---------------|---------------|
| Revenues and other financial sources | \$ 40,431,642 | \$ 40,559,709 | \$ 39,525,247 | \$ 36,103,824 |
| Expenditures, other uses and transfers out | 40,573,811 | 39,748,685 | 37,543,208 | 33,368,516 |
| Change in fund balance (deficit) | (142,169) | 811,024 | 1,982,039 | 2,735,308 |
| Ending fund balance | \$ 12,150,610 | \$ 12,292,779 | \$ 11,481,755 | \$ 9,499,716 |
| Available reserves | \$ 11,665,610 | \$ 11,807,778 | \$ 10,322,527 | \$ 8,218,036 |
| Available reserves as a percentage of total outgo | 28.8% | 29.7% | 27.5% | 24.6% |
| Total long-term debt | \$ 29,633,961 | \$ 30,472,389 | \$ 30,744,760 | \$ 30,964,085 |
| Average daily attendance at P-2 | 4,092 | 4,161 | 4,086 | 3,719 |

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 \$5,528,371 over the past three years. The fiscal year 2009-10 budget projects a decrease of \$142,169. 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 \$7,751,498 over the past three years.

Average daily attendance (ADA) has increased by 552 over the past three years.

DEL MAR UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009

TABLE D-4

| | <u>General Fund</u> |
|--|-----------------------------|
| June 30, 2009, annual financial and budget report fund balances | \$ <u>12,657,981</u> |
| Adjustments and reclassifications: | |
| Increasing (decreasing) the fund balance: | |
| Accounts receivable overstatement (See Note N) | <u>(365,202)</u> |
| June 30, 2009, audited financial statement fund balances | \$ <u><u>12,292,779</u></u> |

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, 2009

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, 2009

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 * | 84.027 | 03379 | \$ 525,603 |
| Special Education IDEA Preschool * | 84.027A | 03320 | 78,529 |
| Preschool * | 84.173 | 03430 | 44,602 |
| Title IV - Safe and Drug Free Schools | 84.186 | 03453 | 7,658 |
| Title III - LEP | 84.365 | 04203 | 27,031 |
| Title II - Teacher Quality | 84.367 | 04035 | 34,898 |
| Total Passed Through State Department of Education | | | <u>718,321</u> |
| Total U. S. Department of Education | | | <u>718,321</u> |
| U. S. DEPARTMENT OF AGRICULTURE | | | |
| Passed Through State Department of Education: | | | |
| National School Lunch * | 10.555 | 05310 | 57,486 |
| Total U. S. Department of Agriculture | | | <u>57,486</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ <u>775,807</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, 2009

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
CPA's and Advisors
218 W. Douglas Avenue
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
Del Mar, 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, 2009, which collectively comprise the Del Mar Union School District's basic financial statements and have issued our report thereon dated November 13, 2009. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Del Mar Union School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Del Mar Union School District's financial statements that is more than inconsequential will not be prevented by the Del Mar Union School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Del Mar Union School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Hadley King & Co., LLP

El Cajon, California
November 13, 2009

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

Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

We have audited the compliance of Del Mar Union School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses.

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 *Hadley* *King & Co., LLP*

El Cajon, California
November 13, 2009

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

Auditor's Report on State Compliance

Board of Trustees
Del Mar Union School District
Del Mar, 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, 2009, and have issued our report thereon dated November 13, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09*, published by the Education Audit Appeals Panel. 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 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 opinion.

The District's management is responsible for the District's compliance with laws and regulations. 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 | 8 | Yes |
| Independent Study | 23 | N/A |
| Continuation Education | 10 | N/A |
| Adult Education | 9 | N/A |
| Regional Occupational Centers and Programs | 6 | N/A |
| Instructional Time: | | |
| School Districts | 6 | Yes |
| County Offices of Education | 3 | N/A |
| Community Day Schools | 9 | N/A |
| Morgan-Hart Class Size Reduction Program | 7 | N/A |
| Instructional Materials: | | |
| General Requirements | 12 | 1 [3] |
| Grades K-8 Only | 1 | N/A [1] |
| Grades 9-12 Only | 1 | N/A |
| 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 |
| Mathematics and Reading Professional Development | 4 | N/A [1] |

| | | |
|--|----|-----|
| 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 | 4 | N/A |
| Before School | 5 | N/A |
| Contemporaneous Records of Attendance, For Charter Schools | 1 | 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 | 3 | N/A |

The term "N/A" is used above to mean one or more of the following: 1) The District did not offer the program during the current fiscal year, 2) The program applies only to a different type of local education agency, or 3) The procedures in the audit guide have been revised by subsequent state legislation. The numerals enclosed in brackets which follow some items are explained as follows:

[1] This program is not required to be audited per flexibility provisions of SBx3 4.

[2] The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19825 procedures (e) and (g) were not performed.

[3] The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c) and (e) were not performed.

Based on our audit, we found that, for the items tested, Del Mar Union School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Del Mar Union School District had not complied with the state laws and regulations.

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
November 13, 2009

Findings and Recommendations Section

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes No

DEL MAR UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes No

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

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2009-1 (10000)
P-2 Attendance

Criteria or Specific Requirement

Determine whether the Second Principal and Annual Reports of Attendance submitted to the California Department of Education reconcile to the supporting documents by verifying the district's average daily attendance calculations for each line item, including informational line items.

Condition

In our review of the average daily attendance calculation for the second principal report, we noted that a clerical error caused the ADA for Kindergarten to be understated by 7.01 ADA.

Questioned Costs

Increase in ADA on the Second Principal Report of Attendance of 7.01. The District is basic aid and no additional revenues will be due the District.

Recommendation

We recommend the District amend the Second Principal Report of Attendance increasing ADA by 7.01.

LEA's Response

The District has amended the P-2 to correctly reflect the kindergarten attendance. Procedures will be implemented to ensure accurate reporting in future years.

DEL MAR UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>Management's Explanation If Not Implemented</u> |
|--|-----------------------|--|
| <p>Finding 2008-1 Attendance</p> <p>In review of the Second Period Attendance report we noted the district omitted attendance for extended year special education.</p> <p>We recommended the District amend the P-2 report and include the attendance.</p> | <p>Implemented</p> | |