

DEL MAR UNION SCHOOL DISTRICT
MEASURE MM CITIZENS' OVERSIGHT COMMITTEE

(MEASURE MM - Approved by Del Mar Union School District Voters on November 6, 2018)

ANNUAL REPORT

PERIOD COVERING – July 1, 2024 to June 30, 2025 (Fiscal Year 2024-2025)

THIS REPORT IS HEREBY ADOPTED BY THE DEL MAR UNION SCHOOL DISTRICT MEASURE MM CITIZENS' OVERSIGHT COMMITTEE PURSUANT TO EDUCATION CODE SECTION 15280(b) AND SUBMITTED TO THE BOARD OF TRUSTEES OF THE DEL MAR UNION SCHOOL DISTRICT AND THE PUBLIC IN CONFORMANCE WITH SUCH SECTION. THIS REPORT COVERS THE PERIOD OF FROM JULY 1, 2024, TO JUNE 30, 2025 (FISCAL YEAR 2024-2025), AND CERTAIN RELATED MATTERS.

I. MEMBERSHIP OF THE DEL MAR UNION SCHOOL DISTRICT MEASURE MM CITIZENS' OVERSIGHT COMMITTEE:

Citizens' Oversight Committee Members

The membership on the Del Mar Union School District (District) Measure MM Citizens' Oversight Committee (COC) consisted of the following individuals as of March 3, 2026:

- Gina Cherashore *(Parent of DMUSD Student Representative)*
- Drew Issacman *(Business Community Representative)*
- Maria Nikolaeva *(Community-At-Large Representative)*
- Sandip Patel *(Taxpayer Organization Representative)*
- Bianca Plotkin *(Parent-Teacher Organization Representative)*
- Marina Russo *(Senior Citizens' Organization Representative)*
- Pranav Sharma *(Community-At-Large Representative)*

The following are the current officers of the COC (as of March 3, 2026):

- President: Sandip Patel
- Vice President: Pranav Sharma
- Clerk: [VACANT]

The current members of the Del Mar Union School District ("School District") Measure MM Citizens' Oversight Committee ("COC") are also described on the internet at this website address:

<https://www.dmusd.org/Measure-MM/Independent-Citizens-Oversight-Committee-COC/index.html>

II. ACTIVITIES OF THE DEL MAR UNION SCHOOL DISTRICT MEASURE MM CITIZENS' OVERSIGHT COMMITTEE:

Minutes describing the meetings and activities of the COC are available as public records and are available on the COC website. For more complete descriptions of actions by the COC please see Minutes of the corresponding meeting posted on the COC Website. All approved COC Agendas, approved Minutes and Annual Reports are, and have been, posted on the COC Website: <https://www.dmusd.org/Measure-MM/Independent-Citizens-Oversight-Committee-COC/index.html>

Additional documents and COC reports are posted at such COC Website in accordance with the directives of the COC and School District policies.

III. CITIZENS' OVERSIGHT COMMITTEE (COC) FINDINGS FOR FISCAL YEAR 2024/2025:

In order to comply with the requirements of Proposition 39, the COC is authorized to make certain findings as to activities of the COC and the use and expenditure of Measure MM Bond proceeds. The COC hereby finds and determines as follows:

1. COC has met regularly.

The meetings of the COC are briefly described above. Minutes of the COC meetings are on file with the District and are posted on the COC Website at: <https://www.dmusd.org/Measure-MM/Independent-Citizens-Oversight-Committee-COC/index.html>

2. The COC has received reports, updates, and information concerning Measure MM, and reviewed project expenditures made on projects authorized under Measure MM.

The COC has received various reports (both written and oral), including, but not limited to, construction and project timelines, has received written and oral updates and reports on expenditures relating to the Measure MM Bond funds and various related matters. Those reports and documents are briefly described in the final minutes of meetings and in the handouts presented to the COC, as described above.

A complete list of the reports provided to the COC is available at the School District offices for public review upon request. Information on certain COC handouts and documents is also located on the COC Website (see "Additional Materials").

3. The COC has visited Schools and Project Sites.

During the 2024-2025 Fiscal Year the COC conducted meetings at various school sites to view progress of projects funded with Measure MM bond funds. These sites are identified in the COC Meeting Minutes.

4. Measure MM Bond funds have been expended on the identified projects authorized by Measure MM (Education Code Section 15278(b)(1)).

Based on the documentation and information provided to the COC, as referenced herein, the COC has found, pursuant to Education Code Section 15278(b)(1) that the expenditures of Measure MM Bond funds have been made by the School District on costs, expenses and construction/ acquisition/installation costs of projects authorized by Measure MM.

The specific projects authorized by Measure MM are posted on the COC website at:

<https://www.dmusd.org/Measure-MM/Independent-Citizens-Oversight-Committee-COC/index.html>

Construction updates on the Measure MM projects can be found at:

<https://www.dmusd.org/Measure-MM/Facilities-Projects/index.html> and

<https://www.dmusd.org/Measure-MM/Current-Projects/index.html> and

<https://www.dmusd.org/Measure-MM/Completed-Projects/index.html>

5. No Measure MM monies have been spent on teacher/administrator salaries or other school operating expenses (Education Code Section 15278(b)(2)).

Based on the documentation and information provided to the COC, as referenced herein, the COC has found, pursuant to Education Code Section 15278(b)(2) that the School District has not expended Measure MM Bonds funds on teacher/administrator salaries or other District general operating expenses.

The text of Measure MM included the following wording:

TAXPAYER PROTECTIONS: The following taxpayer protections are specifically provided in this Bond Measure and by law:

- Bond funds shall be used only for the school facilities projects identified herein, and **not for any other purpose.**
- Requirements of the California Government Code concerning **the use of, and accounting for, the expenditure of bond proceeds** shall be complied with as directed by the Governing Board of Trustees of the District.
- As required by law, an **Independent Citizen's Oversight Committee** shall oversee expenditures of bond funds, and related matters, and shall report to the Governing Board of Trustees and communicate with the public on such expenditures.

- As required by law, the School District shall conduct **annual financial audits and performance audits** (using independent auditors) for all bond funds.
- Bond Funds shall **not be used** for teacher or non-construction related administrator salaries or other non-construction related operating expenses.”

6. The Measure MM 2024-2025 Fiscal Year Audit Report was reviewed, received and filed with the COC.

The required annual financial and performance audits for Measure MM Fiscal Year 2024-2025, were performed by the accounting firm of Wilkinson Hadley King & Co., LLP (presented as a single audit report dated as of February 27, 2026 (“Audit Report”). The Audit Report has been presented to the School District Board. The Audit Report was reviewed, received and filed by action of the COC at its meeting of March 3, 2026. A copy of the Audit Report is attached to this Annual Report as Attachment “A”. The COC notes that the Audit Report did not report any irregularities or failures to comply with applicable statutory and Constitutional requirements.

7. The COC has received all necessary and requested technical and administrative assistance from the School District (Education Code Section 15280).

Under the requirements of Education Code Section 15280, the School District is required to provide the COC with all necessary technical and administrative assistance without expending Measure MM Bond funds. The District has made presentations to the COC, provided documents and information as set forth herein, and has provided necessary and requested architectural, construction management, legal and planning support and assistance to the COC. Based on the foregoing, and the documentation and information provided to the COC, as referenced herein, the COC has found that the School District has provided all necessary and requested technical and administrative assistance without expending Measure MM Bonds funds.

8. COC Website is operating and includes all required documentation and information (Education Code Section 15280(b)).

The COC internet website is operated and maintained by the School District, on behalf of the COC, and is currently located at:

<https://www.dmusd.org/Measure-MM/Independent-Citizens-Oversight-Committee-COC/index.html>

Information relating to the COC, its activities and documents can be viewed at the COC website. This includes minutes of the COC meetings, lists of documents received by the COC, the COC Audit Reports, the Annual Financial and

Performance Audit Reports, and other reports issued by the COC, which will include this Annual Report following its adoption.

9. Based on the foregoing, the Del Mar Union School District is in compliance with the requirements of Article XIII A 1(b)(3) of the California Constitution.

IV. CONTACT INFORMATION:

Comments, questions and suggestions can be forwarded to the COC through the School District at the following address:

Del Mar Union School District
11232 El Camino Real
San Diego, CA 92130

Attn: Chris Delehanty, Assistant Superintendent, Business Services
Telephone: 858-755-9301
Facsimile 858-755-4361

or on the COC website via e-mail.

Dates, times and location(s) of COC meetings can be found on the COC website. Members of the public are invited to attend.

ADOPTED, SIGNED AND APPROVED BY THE DEL MAR UNION SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE ON MARCH 3, 2026.

Clerk

ATTACHMENT “A”

**COPY OF MEASURE MM ANNUAL FINANCIAL AND PERFORMANCE AUDIT
(2024-2025 Fiscal Year)**

DRAFT



Del Mar Union School District

Measure MM Building Fund
General Obligation Bond

Financial Statements &
Supplementary Information

June 30, 2025



Del Mar Union School District
Measure MM Building Fund (21-39)

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**Del Mar Union School District
 Measure MM Building Fund (21-39)
 Introduction & Citizens’ Oversight Committee Member Listing**

On November 6, 2018, the voters of the Del Mar Union School District approved by more than 55% Measure MM, authorizing the issuance and sale of \$186,000,000 in General Obligation Bonds.

On October 16, 2019, the District issued 2019 Series A bonds in the amount of \$55,285,000. On May 25, 2022 the District issued 2019 Series B bonds in the amount of \$64,000,000. \$66,715,000 remains available for future issuance.

The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Independent Citizens’ Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Del Mar Union School District Measure MM Independent Citizens’ Oversight Committee as of June 30, 2025, was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Representative</u>	<u>Term Expiration</u>
Sandip Patel	President	Taxpayers Organization Member	June 2027
Pranav Sharma	Vice President	At-Large Community Member	August 2027
Gina Cherashore	Member	Parent of DMUSD Student Member	June 2027
Drew Issacman	Member	Business Organization Member	March 2027
Marina Russo	Member	Senior Citizen Organization Member	February 2027
Maria Nikolaeva	Member	At-Large Community Member	November 2027
Bianca Plotkin	Member	Parent Teacher Organization Member	September 2026

Independent Auditor's Report

To the Citizens' Oversight Committee
Del Mar Union School District
Measure MM Building Fund (21-39)
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Del Mar Union School District's Measure MM Building Fund (the Bond Fund), which comprise the balance sheet as of June 30, 2025, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Bond Fund as of June 30, 2025, and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of Proposition 39 described in Note A.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Del Mar Union School District, including the Measure MM Citizens' Oversight Committee, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Del Mar Union School District using the modified accrual basis of accounting for the fund, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements under Proposition 39. Additionally, the financial statements present only the Bond Fund which is specific to Measure MM and is not intended to present fairly the financial position and results of operations of the Del Mar Union School District as a whole. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions for fund accounting under the modified accrual basis of accounting, as described in Note A. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2026, on our consideration of the Bond Fund’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Fund’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Fund’s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated February 27, 2026, on our consideration of the Bond Fund’s compliance with the requirements of Proposition 39 with regards to the Measure MM Building Fund (Fund 21-39). That report is an integral part of our audit of the Measure MM Building Fund for the fiscal year ended June 30, 2025 and should be considered in assessing the results of our financial audit.

Other Information

Management is responsible for the other information included in the introductory section of this report and in the other information section of this report. The other information comprises the introductory section, the general obligation bonds project list, the general obligation bonds project timelines, and the general obligation bonds project change orders, but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Restriction on Use

This report is intended solely for the information and use of management, the Citizens’ Oversight Committee, the Board of Education, and others within the Del Mar Union School District, and is not intended to be and should not be used by anyone other than these specified parties.



El Cajon, California
February 27, 2026

DEL MAR UNION SCHOOL DISTRICT
MEASURE MM BUILDING FUND (21-39)
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025
(Unaudited)

This section of the Del Mar Union School District’s (DMUSD) Measure MM Building Fund annual financial and performance report presents the discussion and analysis of the Measure MM bond program during the fiscal year that ended June 30, 2025. This Management Discussion and Analysis (MD&A) should be read in conjunction with the Bond Fund’s financial statements that immediately follow this section.

FINANCIAL HIGHLIGHTS

- \$39,715,000 of amounts authorized under Measure MM remain available for future issuances.
- Bond funds have been used for a variety of projects including, Del Mar Heights Rebuild, Del Mar Hills Modernization, and Modern Learning Environments at multiple school sites.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the financial statements, and the performance audit required by state law.

The District accounts for Measure MM bond activity in the District’s Building Fund. The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting.

FINANCIAL ANALYSIS OF MEASURE MM BUILDING FUND

Balance Sheet

The District’s Measure MM Building Fund balance as of June 30, 2025, was \$16,853,989 (see Table A-1). The funds are used to finance the modernization and construction of school sites.

Table A-1				
Measure MM Building Fund				
Balance Sheet				
	June 30,			
	2025	2024	Change	Percentage Change
Assets				
Cash	\$ 18,995,352	\$ 21,138,175	\$ (2,142,823)	-10%
Accounts receivable	352,062	359,289	(7,227)	-2%
Total Assets	<u>\$ 19,347,414</u>	<u>\$ 21,497,464</u>	<u>\$ (2,150,050)</u>	<u>-10%</u>
Liabilities				
Accounts payable	\$ 2,493,425	\$ 3,150,004	\$ (656,579)	-21%
Total Liabilities	<u>2,493,425</u>	<u>3,150,004</u>	<u>(656,579)</u>	<u>-21%</u>
Fund Balance				
Restricted for capital projects	16,853,989	18,347,460	(1,493,471)	-8%
Total Fund Balance	<u>16,853,989</u>	<u>18,347,460</u>	<u>(1,493,471)</u>	<u>-8%</u>
Total Liabilities & Fund Balance	<u>\$ 19,347,414</u>	<u>\$ 21,497,464</u>	<u>\$ (2,150,050)</u>	<u>-10%</u>

Fund Balance (or Change in Fund Balance)

The District’s total Measure MM Building Fund revenue from interest and investment income increased by \$26,224,081. The total expenditures and other uses decreased by \$17,158,877.

Table A-2 Measure MM Building Fund Changes in Fund Balance				
	Year Ended June 30,		Change	Percentage Change
	2025	2024		
Revenues & Other Sources				
Interest and investment income	\$ 1,251,390	\$ 3,201,629	\$ (1,950,239)	-61%
Proceeds from sale of bonds	27,000,000	-	27,000,000	100%
Other sources	1,174,320	-	1,174,320	100%
Total Revenues & Other Sources	<u>29,425,710</u>	<u>3,201,629</u>	<u>26,224,081</u>	<u>819%</u>
Expenditures & Other Uses				
Noncapitalized improvements	2,587,259	1,704,395	(882,864)	-52%
Capital outlay	27,237,253	46,373,664	19,136,411	41%
Other uses	1,094,670	-	(1,094,670)	100%
Total Expenditures & Other Uses	<u>30,919,182</u>	<u>48,078,059</u>	<u>17,158,877</u>	<u>36%</u>
Change in Fund Balance	(1,493,472)	(44,876,430)	43,382,958	-97%
Fund Balance - Beginning	<u>18,347,461</u>	<u>63,223,891</u>	<u>(44,876,430)</u>	<u>-71%</u>
Fund Balance - Ending	<u>\$ 16,853,989</u>	<u>\$ 18,347,461</u>	<u>\$ (1,493,472)</u>	<u>-8%</u>

CAPITAL ASSETS

During the fiscal year ended June 30, 2025, DMUSD expended \$30,919,182 in capital outlay expenditures from Measure MM funds. These expenditures are part of the DMUSD total capital assets as reflected in the District’s separate financial audit.

LONG TERM DEBT

The following table presents a comparison of long-term debt associated with Measure MM building fund:

Table A-3 Measure MM Building Fund Long Term Debt				
	Year Ended June 30,		Change	Percentage Change
	2025	2024		
General Obligation Bonds				
Principal Balance	\$ 127,655,000	\$ 103,070,000	\$ 24,585,000	24%
Bond Premium	7,478,789	6,448,626	1,030,163	16%
Total Measure MM GO Bonds	<u>\$ 135,133,789</u>	<u>\$ 109,518,626</u>	<u>\$ 25,615,163</u>	<u>23%</u>

FACTORS BEARING ON THE BOND PROGRAM'S FUTURE

At the time these financial statements were prepared and audited, DMUSD had begun and completed multiple major projects with the Measure MM bond funds. The Del Mar Heights School Rebuild project, which faced delays as a result of litigation brought by the law firm Procopio on behalf of Save the Field (STF), had an injunction lifted and construction was able to resume in March of 2023. Construction is anticipated to be completed by July of 2024, with the school re-opening in August of 2024. The delays caused by the STF litigation, coupled with escalation in construction costs, has caused other projects across the District to be delayed and cost estimates to rise. The District continues to move forward with construction projects at all sites, including playground replacement projects, classroom modernizations, and whole-site modernizations.

OBTAINING ADDITIONAL INFORMATION ON THE BOND PROGRAM

Additional information on the Measure MM bond fund can be obtained by visiting the DMUSD website: www.dmusd.org and selecting Measure MM.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Bond Fund's finances and to determine the Bond Fund's accountability for the money it receives. Additional financial information can be obtained by contacting the following:

Business Office
Del Mar Union School District
11232 El Camino Real, Ste. 100
San Diego, CA 92130
(858) 755-9301

Financial Statements

Del Mar Union School District
Measure MM Building Fund (21-39)

Balance Sheet

June 30, 2025

ASSETS

Current Assets

Cash in county treasury	\$ 18,995,352
Accounts receivable	<u>352,062</u>
Total Current Assets	<u>19,347,414</u>

TOTAL ASSETS \$ 19,347,414

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	\$ <u>2,493,425</u>
Total Liabilities	<u>2,493,425</u>

Fund Balance

Restricted for capital projects	<u>16,853,989</u>
Total Fund Balance	<u>16,853,989</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 19,347,414

The accompanying notes to the financial statements are an integral part of this statement.

Del Mar Union School District
Measure MM Building Fund (21-39)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2025

REVENUES	
Interest income	\$ 918,807
FMV adjustment	<u>332,583</u>
TOTAL REVENUES	<u>1,251,390</u>
EXPENDITURES	
Current operating expenses:	
Noncapitalized improvements	2,587,259
Capital outlay:	
Land improvements	800,279
Building and improvements	26,341,851
Equipment	<u>95,123</u>
TOTAL EXPENDITURES	<u>29,824,512</u>
OTHER SOURCES AND USES	
Proceeds from sale of general obligation bonds	<u>27,000,000</u>
Other sources	<u>79,650</u>
TOTAL OTHER SOURCES	<u>27,079,650</u>
NET CHANGE IN FUND BALANCE	(1,493,472)
FUND BALANCE, BEGINNING OF YEAR	<u>18,347,461</u>
FUND BALANCE, END OF YEAR	<u>\$ 16,853,989</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Mar Union School District

Measure MM Building Fund (21-39)

Notes to the Financial Statements
For the Year Ended June 30, 2025

A. Summary of Significant Accounting Policies

Del Mar Union School District Measure MM Building Fund (21-39), hereinafter referred to as the “Bond Fund”, accounts for its financial transactions in accordance with the policies and procedures of the California 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 Bond Fund was formed to account for renovation of schools for Del Mar Union School District (District), through expenditures of general obligation bonds issued under Measure MM, authorized by registered voters on November 6, 2018.

The Bond Fund operates under a locally selected Citizens’ Oversight Committee comprised of seven members formed in accordance with the Local School Construction Bonds Act of 2000, at Section 15264 *et seq.* of the Education Code, Proposition 39. The reporting entity consists only of the Bond Fund of the District. These financial statements are intended to present only the financial position and results of operations of the Bond Fund in conformity with accounting principles generally accepted in the United States of America, and accordingly do not present the financial position and results of operations of the District.

2. Basis of Accounting – Measurement Focus

Bond Fund. The Bond Fund is 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 Bond Fund considers all revenues reported in the fund to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of interest earned. 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 from general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2025

3. Encumbrances

Encumbrance accounting is used in the Bond Fund 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 or at year end, whichever is sooner.

4. Budgets and Budgetary Accounting

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

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

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

5. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

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

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

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2025

b. Expenditures

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

6. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Bond Fund does not have any cash held in banks or revolving fund. Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code §41001, the Bond Fund 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. 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 §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. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds of the District. 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.

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2025

c. Fund Balances – Governmental Funds

Fund balances of the Bond Fund are classified as follows:

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

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

7. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2025

8. Fair Value Measurements

The Bond Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs to an asset or liability.

9. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2025. Those newly implemented pronouncements are as follows:

Description	Date Issued
GASB Statement No. 99 <i>Omnibus 2022</i> (Portions related to financial guarantees and derivative instruments)	Apr-22
GASB Statement No. 100 <i>Accounting Changes and Error Corrections</i> (Amendment of GASB Statement No. 62)	Jun-22
GASB Statement No. 101 <i>Compensated Absences</i>	Jun-22
GASB Statement No. 102 <i>Certain Risk Disclosures</i>	Dec-23
GASB Implementation Guide No. 2023-1 <i>Implementation Guidance Update 2023</i>	Jun-23
GASB Implementation Guide No. 2025-1 <i>Implementation Guidance Update 2025 (Question 4.16 ONLY)</i>	Jun-25

The District has implemented the policies necessary to comply with these pronouncements and implementation guides. The implementation of these items did not result in a change to financial presentation for the Measure MM Building Fund (Fund 21-39).

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2025

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	Not Applicable	Not Applicable

C. Fair Value Measurements

The Bond Fund’s investments at June 30, 2025, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 18,995,352	\$ -	\$ 18,995,352	\$ -
Total investments by fair value level	\$ 18,995,352	\$ -	\$ 18,995,352	\$ -

The Bond Fund is considered to be an involuntary participant in an external investment pool as the Bond Fund is required to deposit all receipts and collections of monies with their County Treasurer (Education Code §41001). The fair value of the Bond Fund’s investments in the pool is reported in the accounting financial statements as amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the San Diego County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the San Diego County Treasury is audited annually by an independent auditor.

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2025

D. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code §41001, the Bond Fund maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$18,986,296 as of June 30, 2025). The fair value of the Bond Fund’s portion of this pool as of that date, as provided by the pool sponsor, was \$18,995,352. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Investments Authorized by the California Government Code and the District’s Investment Policy

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

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

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2025

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Bond Fund 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 treasury is restricted by Government Code §53635 pursuant to §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 risk.

At June 30, 2025, credit risk for the Bond Fund’s investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 18,995,352

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

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

At June 30, 2025, the Bond Fund was not exposed to custodial credit risk.

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2025

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the Bond Fund contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the Bond Fund was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Bond Fund maintains pooled investments with the San Diego County Treasury with a fair value of \$18,995,352. The average weighted maturity for this pool was 562 days at June 30, 2025.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Bond Fund was not exposed to foreign currency risk.

4. Investment Accounting Policy

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

The Bond Fund'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 a 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.

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
June 30, 2025

E. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2025 consisted of:

Interest receivable	<u>\$ 352,062</u>
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F. Accounts Payable

Accounts payable balances as of June 30, 2025 consisted of:

Vendor payables	<u>\$ 2,493,425</u>
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G. Short Term Debt Activity

The Bond Fund accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as other financing sources. The Bond Fund did not issue any short-term debt during the fiscal year ended June 30, 2025.

H. General Obligation Bonds

The District has issued bonds pursuant to a duly called election of the registered voters of the District held on November 6, 2018, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of \$186,000,000 principal amount of general obligation bonds of the District. Of the amounts authorized by voters, \$39,715,000 remains available to be issued as of June 30, 2025.

On October 16, 2019, the District issued 2018 Election, Series A general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and to pay the costs of issuing the bonds. The Bonds bear interest ranging from 1.50% to 4.00% payable semi-annually with maturities on August 1st annually through August 1, 2044.

On May 25, 2022, the District issued 2018 Election, Series B general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and to pay the costs of issuing the bonds. The Bonds bear interest ranging from 4.00% to 5.00% payable semi-annually with maturities on August 1st annually through August 1, 2046.

On October 31, 2024, the District issued 2018 Election, Series C general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and to pay the costs of issuing the bonds. The Bonds bear interest ranging from 4.00% to 5.00% payable semi-annually with maturities on August 1st annually through August 1, 2047.

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2025

General obligation bonds at June 30, 2025 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2018 Election, Series A	10/16/2019	1.50 - 4.00%	8/1/2044	\$ 55,285,000
2018 Election, Series B	5/25/2022	4.00 - 5.00%	8/1/2046	64,000,000
2018 Election, Series C	10/31/2024	4.00 - 5.00%	8/1/2047	27,000,000
Total General Obligation Bonds				\$ 146,285,000

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2018 Election, Series A					
Principal Balance	\$ 43,215,000	\$ -	\$ 540,000	\$ 42,675,000	\$ 640,000
Premium	3,072,248	-	38,390	3,033,858	45,499
2018 Election, Series B					
Principal Balance	59,855,000	-	1,875,000	57,980,000	2,005,000
Premium	3,376,378	-	105,767	3,270,611	113,101
2018 Election, Series C					
Principal Balance	-	27,000,000	-	27,000,000	-
Premium	-	1,174,320	-	1,174,320	-
Total General Obligation Bonds	\$ 109,518,626	\$ 28,174,320	\$ 2,559,157	\$ 135,133,789	\$ 2,803,600

The annual requirements to amortize the bonds outstanding at June 30, 2025 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2026	\$ 2,645,000	\$ 4,975,394	\$ 7,620,394
2027	2,345,000	4,857,569	7,202,569
2028	2,685,000	4,739,844	7,424,844
2029	1,540,000	4,643,419	6,183,419
2030	1,815,000	4,569,994	6,384,994
2031-2035	14,380,000	21,232,369	35,612,369
2036-2040	26,220,000	16,972,644	43,192,644
2041-2045	41,570,000	10,866,834	52,436,834
2046-2050	34,455,000	2,141,700	36,596,700
Total	\$ 127,655,000	\$ 74,999,767	\$ 202,654,767

Premium/Discount

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Bond discount arises when the market rate of interest is lower than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and the discount decrease the face value of the bond. The premium and discount are then amortized over the life of the bond using the economic interest method.

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued
 June 30, 2025

Effective interest on general obligation bonds issued at a premium/discount are as follows:

	<u>2018</u> Series A	<u>2018</u> Series B	<u>2018</u> Series C
Total Interest Payments on Bonds	\$ 24,822,440	\$ 44,710,700	\$ 21,028,144
Less Bond Premium	<u>(3,930,330)</u>	<u>(3,610,195)</u>	<u>(1,174,320)</u>
Net Interest Payments	<u>20,892,110</u>	<u>41,100,505</u>	<u>19,853,824</u>
Par Amount of Bonds	55,285,000	64,000,000	27,000,000
Periods	25	25	23
Effective Interest Rate	1.51%	2.57%	3.20%

I. Commitments and Contingencies

1. Litigation

The District is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Bond Fund as of June 30, 2025.

2. Construction Commitments

As of June 30, 2025, the Bond Fund had the following construction commitments:

	<u>Remaining</u> <u>Commitment</u>	<u>Expected Date of</u> <u>Completion*</u>
Construction in Process:		
Del Mar Hills Academy Modernization	\$ 3,540,570	November 2025
Carmel Del Mar Modernization	<u>924,219</u>	September 2026
Total	<u>\$ 4,464,789</u>	

*Expected date of completion is subject to change.

J. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Del Mar Union School District
Measure MM Building Fund (21-39)

Notes to the Financial Statements, Continued

June 30, 2025

Description	Date Issued	Year Effective
GASB Statement No. 103 <i>Financial Reporting Model Improvements</i>	Apr-24	2025-26
GASB Statement No. 104 <i>Disclosure of Certain Capital Assets</i>	Sep-24	2025-26
GASB Implementation Guide No. 2025-1 <i>Implementation Guidance Update 2025 (Except Question 4.16)</i>	Jun-25	2025-26

The effects of the upcoming guidance and pronouncements on the Bond Fund's financial statements has not yet been determined.

Other Information

Del Mar Union School District Measure MM Building Fund (21-39)

General Obligation Bonds Project List
Year Ended June 30, 2025

Bond proceeds are required to be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the Del Mar Union School District.

Master Plan Facilities Projects and Objectives

The following are master plan facilities projects and objectives to be implemented throughout the District that may be funded by this bond measure:

- Install and upgrade security and safety systems to meet the needs for student safety and campus security.
- Redesign and reconstruct Del Mar Heights School
- Modernize and upgrade District school facilities at Ashley Falls School, Carmel Del Mar School, Del Mar Hills Academy, Ocean Air School, Sage Canyon School, Sycamore Ridge School, and Torrey Hills School.
- Design and construct a new elementary school in East Pacific Highlands Ranch.
- Renovate, upgrade, replace, install, and provide repairs of school site infrastructure (plumbing, electrical, HVAC, communications, and security networks).
- Ensure safety and structural integrity of buildings for student and employee safety by making seismic and safety upgrades and retrofits.
- Remove and/or replace portable classrooms with permanent classrooms.
- Install infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Relocate technology offices and Main Distribution Frame (MDF).
- Upgrade and modernize District schools to provide for compliance with Americans with Disabilities Act (ADA).
- Improve energy efficiency to reduce costs and reduce energy consumption (producing reductions in environmental impacts), through the use/installation of energy-efficient facilities including the construction/installation of solar energy facilities.
- Upgrade landscape and irrigation, using recycled water where available.
- Provide facilities for Storm Water Management.
- Provide facilities for Child Nutrition Services and centralized District kitchen.
- Replace, update and improve access and parking facilities with the goal of reducing traffic congestion in the vicinity of District schools.

Del Mar Union School District
Measure MM Building Fund (21-39)
General Obligation Bonds Project List, Continued
Year Ended June 30, 2025

Ashley Falls School – Renovation, Modernization and Repair

- Modernize, upgrade, renovate, rehabilitate, reconfigure, construct, expand, and equip classrooms, classroom buildings, STEAM+, restrooms, common areas, and school support facilities, including library and multipurpose room/auditorium.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Repair or replace deteriorated roofing and HVAC system.
- Provide new outdoor student dining areas with shade structures.
- Replace play structures to include equipment and increased shade.
- Remove and or replace portable classrooms with permanent classrooms.
- Install technology infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Repair or upgrade play structures and fields for improved student safety.
- Update interior lighting and lighting controls to improve energy efficiency.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide and install solar energy and/or storage facilities.
- Provide and install lunch service area and student dining areas.
- Upgrade Main Distribution Frame.
- Construct and install ADA path of travel and accessibility upgrades.

Carmel Del Mar School – Renovation, Modernization and Repair

- Modernize, upgrade, renovate, rehabilitate, reconfigure, construct, expand, and equip classrooms, classroom buildings, STEAM+, restrooms, common areas, and school support facilities, including library and multipurpose room/auditorium.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Repair or replace deteriorated roofing and HVAC systems.
- Expand and update the Multi-Use Room for large group instruction.
- Replace deteriorated sewer lines.
- Install pedestrian ramp from Carmel Park Drive to school site.
- Remove and or replace portable classrooms with permanent classrooms.
- Install technology infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Repair or upgrade play structures/fields for improved student safety.
- Install or replace shade structures.
- Update interior lighting and lighting controls to improve energy efficiency.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide and install solar energy and or storage facilities.
- Provide and install lunch service area and student dining areas.
- Construct and install ADA path of travel and accessibility upgrades.

Del Mar Union School District
Measure MM Building Fund (21-39)
General Obligation Bonds Project List, Continued
Year Ended June 30, 2025

Del Mar Heights School – Renovation, Modernization and Repair

- Redesign and reconstruct the campus. This includes construction and/or reconstruction of classrooms, support buildings, campus administration facilities, and other buildings necessary for non-instructional purposes.
- Security/Safety – Update/install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Reconfigure and reconstruct drop off/pick-up areas and parking for improved traffic flow and student safety.
- Design, construct and install supporting facilities and infrastructure, including, but not limited to, roadways, electrical systems, plumbing, HVAC, parking, hardscape, interior and exterior lighting, and lighting controls.
- Make necessary site improvements including grading, infrastructure, and roadway access.
- Install solar energy and/or storage facilities.
- Install/replace shade structures.
- Repair or upgrade play structures/fields for improved student safety.
- Interior lighting and lighting controls.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide and install lunch service area.
- Provide and install covered student dining area.

Del Mar Hills Academy – Renovation, Modernization and Repair

- Modernize, upgrade, renovate, rehabilitate, reconfigure, construct, expand, and equip classrooms, classroom buildings, STEAM+, restrooms, common areas, and school support facilities, including library and multipurpose room/auditorium.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Increase natural light in all learning spaces and common areas.
- Improve campus layout and classroom configuration.
- Add restrooms in proximity to Kindergarten classrooms.
- Increase parking and improve ingress/egress.
- Improve drop-off/pick-up area and parking for improved traffic flow and student safety.
- Repair or replace deteriorated roofing and HVAC systems.
- Remove and or replace portable classrooms with permanent classrooms.
- Install technology infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Repair or upgrade play structures/fields for improved student safety.
- Install/replace shade structures.
- Update interior lighting and lighting controls to improve energy efficiency.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide/install solar energy and/or storage facilities.
- Construct facilities for Child Nutrition Services and centralized District kitchen.

Del Mar Union School District
Measure MM Building Fund (21-39)
General Obligation Bonds Project List, Continued
Year Ended June 30, 2025

- Provide/install lunch service area and student dining areas.
- Construct/install ADA path of travel and accessibility upgrades.

Ocean Air School – Renovation, Modernization and Repair

- Modernize, upgrade, renovate, rehabilitate, reconfigure, construct, expand, and equip classrooms, classroom buildings, STEAM+, restrooms, common areas, and school support facilities, including library and multipurpose room/auditorium.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Modify ingress and egress for student drop off and pick up to improve pedestrian safety.
- Repair or replace deteriorated roofing, HVAC systems, and carpeting.
- Install or replace shade structures to include outdoor student dining areas.
- Install technology infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Repair or upgrade play structures/fields for improved student safety.
- Update interior lighting and lighting controls to improve energy efficiency.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide/install solar energy and/or storage facilities.
- Provide/install lunch service area and student dining areas.
- Construct/install ADA path of travel and accessibility upgrades.

Sage Canyon School – Renovation, Modernization and Repair

- Modernize, upgrade, renovate, rehabilitate, reconfigure, construct, expand, and equip classrooms, classroom buildings, STEAM+, restrooms, common areas, and school support facilities, including library and multipurpose room/auditorium.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Repair or replace deteriorated roofing and HVAC systems.
- Install or replace shade structures to include outdoor student dining areas.
- Remove and or replace portable classrooms with permanent classrooms.
- Install technology infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Repair or upgrade play structures/fields for improved student safety.
- Update interior lighting and lighting controls to improve energy efficiency.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide/install solar energy and/or storage facilities.
- Provide/install lunch service area and student dining areas.
- Construct/install ADA path of travel and accessibility upgrades.

Del Mar Union School District
Measure MM Building Fund (21-39)
General Obligation Bonds Project List, Continued
Year Ended June 30, 2025

Sycamore Ridge School – Renovation, Modernization and Repair

- Modernize, upgrade, renovate, rehabilitate, reconfigure, construct, expand, and equip classrooms, classroom buildings, STEAM+, restrooms, common areas, and school support facilities, including library and multipurpose room/auditorium.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Repair or replace deteriorated roofing and HVAC systems.
- Expand and update the Multi-Use Room for large group instruction.
- Install technology infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Repair or upgrade play structures/fields for improved student safety.
- Install/replace shade structures.
- Update interior lighting and lighting controls to improve energy efficiency.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide/install solar energy and/or storage facilities.
- Provide/install lunch service area and student dining areas.
- Construct/install ADA path of travel and accessibility upgrades.

Torrey Hills School – Renovation, Modernization and Repair

- Modernize, upgrade, renovate, rehabilitate, reconfigure, construct, expand, and equip classrooms, classroom buildings, STEAM+, restrooms, common areas, and school support facilities, including library and multipurpose room/auditorium.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Improve Science Lab.
- Improve layout and configuration for Technology Lab and Library.
- Repair or replace deteriorated roofing and HVAC systems.
- Remove or replace portable classrooms with permanent classrooms.
- Install technology infrastructure and supporting wiring in order to support broadband access for high-speed data and communications.
- Repair or upgrade play structures/fields for improved student safety.
- Install/replace shade structures.
- Update interior lighting and lighting controls to improve energy efficiency.
- Improve landscape, drought tolerant materials, irrigation controls, and recycled water (where and as available).
- Provide/install solar energy and/or storage facilities.
- Provide/install lunch service area and student dining areas.
- Construct/install ADA path of travel and accessibility upgrades.

Del Mar Union School District
Measure MM Building Fund (21-39)
General Obligation Bonds Project List, Continued
Year Ended June 30, 2025

New Elementary School in East Pacific Highlands Ranch

- Purchase land, design, and construct a comprehensive elementary school campus. This includes classrooms, support buildings, campus administration facilities, and other buildings necessary for non-instructional purposes.
- Security/Safety – Update and install security systems, access control, surveillance systems, exterior lighting, office reconfiguration, fencing, and fire alarm systems.
- Make necessary site improvements including site preparation, grading, supporting infrastructure, roads, and roadway access.
- Design and construct fields, landscaping, parking, and drop off/pick-up.
- Design, construct, and install supporting facilities and infrastructure, including, but not limited to, roadways, electrical systems, plumbing, HVAC, parking, hardscape, interior and exterior lighting, and lighting controls.
- Provide/install solar energy and/or storage facilities.
- Provide/install playground facilities and equipment.
- Provide/install landscaping, including, but not limited to, drought tolerant materials, irrigation controls and use of recycled water (where and as available).
- Provide/install lunch service area and student dining areas.
- Construct facilities for Child Nutrition Services and centralized District kitchen.
- Relocate technology offices and/or Main Distribution Frame.

All District School Sites Where Renovation, Major Repairs, and/or New Construction To Be Undertaken

- Remove and mitigate hazardous materials (e.g. asbestos, lead, PCB, mold, mildew, etc.) where necessary.
- Improve contingencies as required to comply with existing building codes and state/federal requirements, including access requirements of the ADA.
- Provide adequate furniture and equipment for all classrooms, and spaces to be newly constructed or reconstructed.
- Acquisition of any of the facilities on this School Facilities Project List through temporary lease or lease-purchase arrangements or execute purchase option under lease for any of these authorized facilities.
- Necessary site preparation/restoration in connection with renovation or remodeling, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of ways to property.
- If the Governing Board of Trustees determines that replacement is more economical than rehabilitation, improvement, or renovation of existing classrooms/school facilities, in those particular cases replacement/new construction will be explored or pursued.
- Provide temporary (interim) classrooms and other school facilities as needed to accommodate students and school functions displaced during construction, including, but not limited to relocation costs.
- The costs to demolish/remove facilities when no longer needed and the costs to restore site and utility systems after removal.
- Modernization upgrade or replacement of structures includes permanent, portable, or modular structures.

Whenever specific items are included in the list above, they are presented to provide an example and are not intended to limit the generality of the broader description of authorized projects.

Del Mar Union School District

Measure MM Building Fund (21-39)

General Obligation Bonds Project Timelines
Year Ended June 30, 2025

Project

Timeline and Key Events

Del Mar Heights School Rebuild

2019

April/May - Initial community engagement and design meetings (5)

June - October - Student relocation meetings (9)

September - Design updates to the community (2)

2020

February 20 - Notice of intent to adopt a mitigated negative declaration

May 12 - Board approved CEQA documents

June - Close Del Mar Heights School in preparation of demolition and rebuild

June 9 - Formal submission of Coastal Development Permit Application

June 12 - Save the Fields files lawsuit against DMUSD

December 22 - Hearing on Save the Fields lawsuit against DMUSD

2021

February 8 - DMUSD received Court's Judgment and Writ

The project has continued to face delays as a result of litigation brought by the law firm Procopio on behalf of Save the Field (STF). The District received a final Writ of Mandate from the court on February 8, 2021 in which the court found in favor of the District on 10 of 13 items brought up during the lawsuit. The remaining 3 items were subsequently addressed by the District. One item was removed from the project through a board action, while the other two items were studied further by the District. The District developed a Focused Environmental Impact Report that was approved by the Board of Trustees on June 30, 2021 and a Final Return to the Writ was submitted by the District on July 7, 2021. The Court issued an order declaring that the District had complied with CEQA on July 19, 2021. STF appealed the decision on August 6, 2021 and amended their appeal on September 15, 2021. On November 5, 2021, STF filed a motion to vacate the decision by the court, but this motion was denied on January 7, 2022.

Due to the delays incurred as a result of the litigation, the District was forced to pause its efforts to obtain the Coastal Development Permit and associated permits (CDP) necessary to begin construction in February 2021. After the Court's order declaring that the District had complied with CEQA, the District re-submitted its application for the CDP in August 2021. The City of San Diego Planning Commission unanimously approved the permits on October 21, 2021, but STF appealed that approval to the San Diego City Council.

2022

The appeal of the initial lawsuit that STF filed against the District went to the Court of Appeal, and the Court of Appeal ruled in the District's favor on September 26, 2022. On November 4, 2022, STF petitioned the California State Supreme Court for review. The California Supreme Court should render its decision on whether it will, or will not, accept the case by January 3, 2023.

Del Mar Union School District
Measure MM Building Fund (21-39)
General Obligation Bonds Project Timelines, Continued
Year Ended June 30, 2025

**Del Mar Heights School Rebuild,
Continued**

On January 11, 2022, the San Diego City Council unanimously approved the Coastal Development and related permits for the project. Construction began on March 16, 2022. However, in an additional, separate action, STF sued the City of San Diego (City) asserting that the City inappropriately granted the permits to the District. The trial court in this case granted a preliminary injunction on May 13, 2022, stopping all work on the project. Once construction is permitted to resume, it is anticipated to take 12-14 months to complete the project.

2023

The injunction was lifted on March 6, 2023, and construction resumed immediately. At this time all litigation has been settled. Construction is ongoing, and the project is anticipated to be completed in June 2024, with the school reopening in August 2024.

2024

August - Campus Opened to Students
September - Formal Ribbon Cutting
December - Notice of Completion Submitted

Completion

Project Complete

Pacific Sky School

2019

April - October - School Designed
October 30 - Final Site Plan approved

2021

June - Formal Groundbreaking

2022

August - Campus Opened to Students
September - Formal Ribbon Cutting

2023

June - Notice of Completion Submitted

Completion

Project Complete

Del Mar Union School District
Measure MM Building Fund (21-39)
 General Obligation Bonds Project Change Orders
 Year Ended June 30, 2025

Del Mar Hills Academy Modernization	<p>2021 Community planning sessions held June, September, and October</p> <p>2022 October - Community Planning Session Held</p> <p>2023 January - Board presentation on design update May - Board presentation on cost impacts of escalation October - Community input meetings on construction options (2) November - Community input meeting on construction options (1)</p> <p>2024 June - Construction Began</p> <p>Expected Completion August 2025</p>
Carmel Del Mar School Modernization	<p>2024 November - Board Approval of Architectural Services Firm</p> <p>2025 January - Community Planning Session February - Community Planning Sessions March - Community Planning Sessions May - Community Input Session</p> <p>Expected Completion (Subject to Change) November 2026</p>
Ashley Falls	<p>2025 April - Board Approval of Architectural Services Firm May - Community Planning Session</p> <p>Expected Completion (Subject to Change) September 2027</p>

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During the fiscal year ended June 30, 2023, there was an update to the GMP for the Del Mar Heights School Rebuild project that was approved by the Board of Trustees on June 21, 2023 with a total increase of \$5,249,269. This was due to delays caused by the Save the Field litigation and associated escalation in construction costs.

Other Independent Auditors' Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Citizens' Oversight Committee
Del Mar Union School District
Measure MM Building Fund (21-39)
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Del Mar Union School District Measure MM Building Fund (Bond Fund), which comprise the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Del Mar Union School District Measure MM Building Fund's basic financial statements, and have issued our report thereon dated February 27, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Del Mar Union School District Measure MM Building Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Del Mar Union School District Measure MM Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Del Mar Union School District Measure MM Building Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Del Mar Union School District Measure MM Building Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



El Cajon, California
February 27, 2026

Independent Auditor's Report on Performance

To the Citizens' Oversight Committee
Del Mar Union School District
Measure MM Building Fund (21-39)
San Diego, California

Performance Results

We were engaged to conduct a performance audit of the Del Mar Union School District Measure MM Building Fund (Fund 21-39), herein after referred to as the Bond Fund, for the year ended June 30, 2025. Our audit was limited to the objectives listed with the report which includes the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

The results of our tests, delineated below, showed no instances of noncompliance with the requirements as set forth in Measure MM, approved by voters on November 6, 2018 in accordance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution.

Responsibilities of Management for Performance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Bond Fund.

Auditor's Responsibility for the Performance Audit

Our responsibility is to prepare a report that contains (1) the objectives, scope, and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations as appropriate; (3) summary reviews of responsible officials; and (4) if applicable, the nature of any confidential or sensitive information omitted.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Appendix A of the 2024-25 Guide for Annual Audits of K-12 Local Education Agencies* (the Audit Guide). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the District's internal controls over the Bond Fund and related construction projects in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our findings and conclusions based upon the audit objectives.

Our audit was designed to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above have occurred, whether due to fraud or error, and to express the findings and conclusions based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of Measure MM as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over the Bond Fund relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Objectives, Scope, & Methodology of the Audit

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements set forth in Measure MM as approved by registered voters for the fiscal year ended June 30, 2025. The objective of the audit of compliance applicable to the Bond Fund is to determine with reasonable assurance that:

- The proceeds from the sale of Measure MM General Obligation Bonds were only used for the purposes set forth in the ballot Measure MM and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the Del Mar Union School District (District), in establishing approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve facilities of the District as noted in the bond project list.

Performance Audit Procedures Performed & Results:

1. Internal Control Evaluation

Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding project resources
- Prevent material misstatement in the project funds
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of project funds. All purchase requisitions are reviewed for proper supporting documentation. The Facilities Director or appropriate District employee submits back up information to the business office to initiate a purchase requisition. The Facilities Director, Assistant Superintendent of Business Services, and Finance Director verifies that the requested purchase is an allowable project cost in accordance with the ballot measure.

Results of Procedure Performed

The results of our audit determined the internal control procedures as designed are sufficient to meet the financial and compliance objectives required by generally accepted accounting principles and applicable laws and regulations.

Procedure Performed

Tests of controls were performed based on identified controls from procedures above, utilizing samples of expenditures with a sample size sufficient for a high level of assurance, to determine if internal controls as designed are properly implemented and in place over the Bond Fund expenditures.

Results of Procedure Performed

The results of our audit determined that the internal controls as designed were properly implemented during the 2024-25 fiscal year.

2. Tests of Expenditures

Procedures Performed

We tested expenditures to determine whether Measure MM proceeds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Projects List and language of the Measure MM ballot measure. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to be in compliance with the terms of the Measure MM ballot measure as well as applicable state laws and regulations.

3. Tests of Contracts and Bid Procedures

Procedures Performed

We tested expenditures under Measure MM to determine if the expenditure was part of a valid contract, that the contract was properly approved by the District's Governing Board, and that the contract was established in compliance with Public Contract Code provisions, including bid procedures. Our testing was performed using a sample size sufficient to meet a high level of assurance.

Results of Procedures Performed

Expenditures tested were found to have valid contracts which were issued through proper approval of the District's Governing Board in compliance with Public Contract Code, including bid procedures.

4. Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agendas along with other pertinent information on Measure MM designated projects to determine whether the funds expended for the year ended June 30, 2025, were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Additionally, we reviewed photographs of significant bond projects to determine projects were being completed as identified in the Bond Project List.

Results of Procedures Performed

Based on review of expenditure documentation, review of project photographs, and other pertinent information provided, it appears the construction work performed was consistent with the Bond Project List as well as the allowable projects as identified in Measure MM ballot measures.

5. Review of Citizens' Oversight Committee Compliance

Procedures Performed

We reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code Section 15278 which requires the Citizens' Oversight Committee to:

- Actively review and report on the proper expenditure of taxpayers' money for school construction.
- Advise the public as to whether the District is in compliance with paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that bond revenues are expended only for purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that no funds are used for any teacher or administrative salaries or other school operating expenses.

Additionally, Education Code Section 15278 authorizes the Citizens' Oversight Committee to:

- Receive and review copies of the annual, independent performance audit.
- Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Receive and review copies of any deferred maintenance proposals or plans developed by the District.
- Review efforts by the District to maximize bond revenues by implementing cost saving measures.

Results of Procedures Performed

The Citizens' Oversight Committee appears to have complied with the requirements of Education Code Section 15278.

Procedure Performed

We reviewed composition of the Citizens' Oversight Committee to verify compliance with Education Code Section 15282 which requires the following:

- The Citizens' Oversight Committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms.
- One member shall be active in a business organization representing the business community located within the school district boundaries.
- One member shall be active in a senior citizens' organization.
- One member shall be active in a bona fide taxpayers' organization.
- One member shall be the parent or guardian of a child enrolled in the school district.
- One member shall be both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- An employee or official of the school district shall not be appointed to the citizens' oversight committee.
- A vendor, contractor, or consultant of the school district shall not be appointed to the citizens' oversight committee.

Results of Procedures Performed

The Citizens' Oversight Committee appears to have complied with the requirements of Education Code Section 15282.

Nature of any Confidential or Sensitive Information Omitted

There was no confidential or sensitive information omitted from this report.

Purpose of the Report

This report is intended solely for the information and use of the District's Governing Board, the Measure MM Citizens' Oversight Committee, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

William Hadley King & Co. LLP

El Cajon, California
February 27, 2026

Auditor's Results, Findings & Recommendations

Del Mar Union School District
Measure MM Building Fund (21-39)

Schedule of Auditor's Results
Year Ended June 30, 2025

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

 Yes X No

One or more significant deficiencies identified that are
not considered material weakness(es)?

 Yes X No

Noncompliance material to financial statements noted?

 Yes X No

PERFORMANCE AUDIT

Any audit findings disclosed that are reported as a result of
performance audit and in accordance with *2024-25 Guide for
for Annual Audits of California K-12 Local Education
Agencies, Appendix A Local Construction Bond Audits?*

 Yes X No

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

Unmodified

Del Mar Union School District
Measure MM Building Fund (21-39)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements or performance audit that are required to be reported in accordance with *Government Auditing Standards*, or *Appendix A of the 2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

A. Financial Statement Findings

None

B. Performance Audit Findings

None

Del Mar Union School District
Measure MM Building Fund (21-39)

Views of Responsible Officials

Year Ended June 30, 2025

The Del Mar Union School District agrees with the results of the performance audit for the Measure MM Bond Fund.

Del Mar Union School District
Measure MM Building Fund (21-39)

Schedule of Prior Year Audit Findings
Year Ended June 30, 2025

Finding/Recommendation	Status	Explanation if Not Implemented
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There were no findings reported in the audit for fiscal year ended June 30, 2024.