

**OCEANSIDE UNIFIED SCHOOL DISTRICT
COUNTY OF SAN DIEGO
OCEANSIDE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2002

**WILKINSON & HADLEY, LLP
250 E. Douglas Ave, Suite 200
El Cajon, CA 92020
619-447-6700**

Introductory Section

Oceanside Unified School District
Audit Report
for the Year Ended June 30, 2002

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements	1	
Management's Discussion and Analysis	2	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	10	A-1
Statement of Activities	11	A-2
Fund Financial Statements:		
Balance Sheet -Governmental Funds	13	A-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14	A-4
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	15	A-5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16	A-6
Statement of Net Assets-Proprietary Fund	17	A-7
Statement of Revenues, Expenditures and Changes in Fund Net Assets- Proprietary Fund	18	A-8
Statement of Cash Flows-Proprietary Fund	19	A-9
Statement of Fiduciary Net Assets-Fiduciary Fund	20	A-10
Statement of Changes in Fiduciary Net Assets-Fiduciary Fund	21	A-11
Notes to the Basic Financial Statements	22	

Oceanside Unified School District
Audit Report
for the Year Ended June 30, 2002

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Required Supplementary Information		
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-General Fund	35	B-1
Individual Fund Schedules of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual:		
Special Revenue Funds	36	C-1 to C-5
Debt Service Funds	41	C-6 to C-7
Capital Projects Funds Funds	43	C-8 to C-12
SUPPLEMENTARY INFORMATION SECTION		
Organization	48	
Schedule of Average Daily Attendance	49	E-1
Schedule of Instructional Time	50	E-2
Schedule of Financial Trends and Analysis	51	E-3
Schedule of Expenditures of Federal Awards	52	E-4
Notes to the Schedule of Expenditures of Federal Awards.	53	
Reconciliation of Annual Financial and Budget Report (J-200) With Audited Financial Statements	54	E-5
OTHER INDEPENDENT AUDITOR'S REPORTS		
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55	
Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance In Accordance With OMB Circular A-133	56	
Auditor's Report on State Compliance	58	
FINDINGS AND RECOMMENDATIONS SECTION		
Schedule of Findings and Questioned Costs	60	
Summary Schedule of Prior Audit Findings	63	

Financial Section

WILKINSON & HADLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
EL CAJON, CA 92020
TEL (619) 447-6700 • FAX (619) 447-6707

Independent Auditor's Report on Financial Statements

Board of Trustees
Oceanside Unified School District
Oceanside, California

Members of the Board of Trustees:

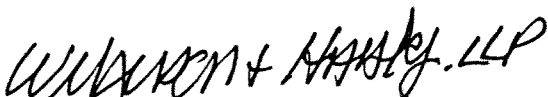
We have audited the accompanying general purpose financial statements of Oceanside Unified School District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Oceanside Unified School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Oceanside Unified School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2003, on our consideration of Oceanside Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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



Wilkinson & Hadley, LLP
January 16, 2003

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

June 30, 2002

Unaudited

This section of the Oceanside Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2002.

FINANCIAL HIGHLIGHTS

- General Fund expenditures exceeded revenues by \$4 million in 2001-02, reducing the ending balance from the \$37.9 million peak recorded in the prior year.
- Still, the District continued to maintain high reserves, with \$20.2 million designated for economic uncertainties at year-end. This represents 12.5% of total budget, compared to the 3% minimum required by the state.
- Student enrollment growth has slowed, for a modest gain of 245 ADA or 1.2%.
- Capital outlay expenditures for facility construction totaled \$27.6 million for the year, as construction neared completion on the new Nichols Elementary School campus and the new science and technology building at Oceanside High School, plus classroom modernization at Laurel Elementary and Oceanside High schools.
- District long-term liabilities rose to \$55.3 million with the issuance of \$20 million in General Obligation Bonds for facility construction.
- Overall, net assets decreased by \$1 million for the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

Beginning with 2001-02, the annual financial report of the Oceanside Unified School District has been expanded to include two new components:

- *Management Discussion and Analysis* providing a narrative introduction and analysis of the financial statements for the current and prior years.
- *District-Wide Financial Statements* providing both short-term and long-term information about the District's overall financial status.

These new components augment the *Fund Financial Statements* provided in the past that focuses on individual aspects of District operations.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments, issued in 1999. Certain comparative information between the current year and the prior year is required in the MD&A. However, because this is the first year of implementing the new reporting model, comparative information was not available for the prior year. Subsequent reports will include the required comparative information.

District-Wide Financial Statements

The new district-wide statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all District assets and liabilities, such as land, buildings and long-term debt. All current year revenues and expenses are accounted for in the statements, regardless of when cash is received or paid (full accrual).

The district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one measure of the District's financial health or position. Over time, increases or decreases in net assets are an indicator as to whether the District's financial position is improving or deteriorating.

District-wide financial statements distinguish between *governmental activities* and *business-type activities*. Since Oceanside Unified School District has no business-type activities, all district operations are reported within the category of governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the component funds that jointly comprise the District budget. Funds are accounting devices used to track specific sources of funding and spending for particular programs. Some funds are required by state law. Others are established to control and manage money for particular purposes (e.g., repaying long-term debt), or to show that certain revenues are properly used.

The governmental fund financial statements tell how District operations were financed, as well as what remains for future spending. They provide a detailed view of the *short-term* financial position of the district, without consideration of long-term assets and liabilities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

Table 1 shows that District assets totaled \$153.5 million as of June 30, 2002. Cash deposits represent the single largest component of district assets at \$66.7 million. Facilities represent the second largest component, with buildings valued at \$41.0 million, plus an additional \$35.4 million for facilities under construction (work in progress). Land plus site improvements are valued at \$18.7 million, and equipment at \$12.6 million. It should be noted that all capital assets are valued at *historical cost less depreciation, not market value*. The current market value for land owned by the district is considerably larger than reported here.

Liabilities totaled \$66.5 million on June 30, 2002. General obligation bond debt issued for facility construction and modernization constitutes the majority. Of the \$125 million in GO bonds authorized by voters in 2000, a total of \$49.5 million has been issued to date. Other long-term liabilities include \$2.6 million in outstanding obligations for Certificates of Participation (COPs), and \$2.23 million for post-employment benefits for retirees.

Overall, net assets of the Oceanside Unified School District were determined to be \$87,045,876 on June 30, 2002. This represents a *decrease* of \$1 million over the course of the year (Table 2). The decline in net assets reflects deficit spending in the 2001-02 operating budget.

**Table 1 – Net Assets
June 30, 2002**

Assets	
Current Assets:	
Cash	\$66,661,674
Other	8,758,018
Capital Assets:	
Land	13,821,107
Improvement of Sites	4,901,724
Buildings	41,039,599
Equipment	12,626,557
Work in Progress	35,453,706
Less Accumulated Depreciation	(29,758,043)
Total Assets	\$153,504,342
Liabilities	
Current Liabilities	11,142,894
Long-Term Liabilities	55,315,572
Total Liabilities	\$66,458,466
Net Assets	\$87,045,876

**Table 2 – Change in Net Assets
2001-02**

Beginning Net Assets	\$88,051,538
Ending Net Assets	87,045,876
Change in Net Assets	(1,005,662)

The decline in net assets observed during 2001-02 marks a turning point in the District's financial situation. Following several years of substantial growth in state funding for K-12 education, in combination with steady enrollment growth, state revenues have gone flat, while District financial commitments have continued to

grow. While the District had ample reserves to cover the 2001-02 shortfall, future-year spending will need to be curtailed to balance with slower anticipated revenue growth.

Governmental Activities

Table 3 shows that expenses related to educating and caring for children account for 82% of total District expenditures. Facilities related costs account for 11%, while purely administrative costs account for less than 5% of total expense.

Overall, the District expended \$176.1 million in 2001-02, whereas revenues totaled \$175.1 million. Deficit spending can be attributed primarily to personnel costs outpacing revenue growth. In 2001-02, expenditures for employee salaries and benefits increased \$15.5 million or 12.7%, whereas state funding increased just 3.87%. Energy and insurance costs also outpaced revenue growth.

The cost of all governmental activities this year was \$176.1 million. Users of District programs paid some of this cost -- primarily from cafeteria food sales. The federal and state government subsidized certain programs with grants and contributions totaling \$44.1 million. Interest and investment earnings provided \$2.5 million. Most of the cost, however, was paid by state and local taxpayers.

The 2001-02 revenue squeeze was aggravated when the state cut funding mid-year for California schools. These unanticipated cuts amounted to nearly \$1 million for Oceanside Unified School District. The District responded by quickly freezing discretionary spending to realize offsetting savings.

**Table 3 – Governmental Activities
2001-02**

Expenditures

Instruction	\$102,651,734
Instruction – Related Services	20,703,139
Student Support Services	20,920,774
Maintenance and Operations	19,885,087
Administration	8,217,269
Interest on Long-Term Debt	2,081,029
Miscellaneous	<u>1,618,101</u>

Total Expenditures **\$176,077,133**

Revenues

Program Revenues:

Charges for Services	\$3,904,245
Grants and Contributions	44,054,131

General Revenues:

Taxes Levied for General Purposes	\$37,757,245
Taxes Levied for Debt Services	2,128,693
State and Federal Unrestricted Aid	79,262,366
Interest and Investment Earnings	2,472,538
Miscellaneous	<u>5,492,253</u>

Total Revenues **\$175,071,471**

FINANCIAL ANALYSIS OF DISTRICT FUNDS

District accounts are organized into various funds, each of which is considered a separate accounting identity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Governmental resources allocated to individual funds are recorded for the purpose of specific activities in accordance with laws, regulations and other requirements. The General Fund serves as the general operating fund for the district. It is used to account for all financial resources of the District except those required to be accounted for in a Special Revenue Fund, Capital Project Fund, Debt Service Fund, Proprietary Fund, or Fiduciary Fund.

General Fund

General Fund revenues totaled nearly \$158.2 million for 2001-02, an increase of 6.4% from the prior year. General Fund expenditures plus transfers totaled \$162.3 million, an increase of 10.9%. Employee salaries and benefits jointly comprise both the largest share of expenditures at 85%, and also the most rapidly growing component. Deficit spending partly reflected the expenditure of revenues received in the prior year for one-time expenses. However, deficit spending in 2001-02 also indicated an imbalance in ongoing commitments against ongoing revenue.

The \$33.8 million ending balance at June 30, 2002 included \$20.2 million reserves designated for economic uncertainty. Although slightly lower than prior year, this is four times the level of reserves required for California school districts of this size.

Special Revenue Funds

- The *Child Development Fund* is used to account separately for federal, state and local revenue to operate child development programs for preschool students. State Preschool programs operate at several schools serving students from low-income families.
- The *Adult Education Fund* is used to account separately for state and local revenues for adult education programs. The District operates a small adult education program with a total budget of \$142,537.
- The *Deferred Maintenance Fund* is used to account separately for state apportionments and District contributions for deferred maintenance purposes. The district received \$450,974 in state funding to support deferred maintenance activities for school facilities. Several major roofing and heating/ventilation projects are planned for summer 2002, using a portion of the almost \$3 million ending balance.
- The *Cafeteria Fund* is used to account separately for federal, state and local resources to operate the Child Nutrition program. The program continued to operate as self-supporting by increasing ala carte food sales and reimbursement revenues to offset rising personnel costs.
- The *Charter School Fund* is used to account for the revenues and expenditures of the district charter school. Pacific View Charter School continued to spend less than the funding provided, raising the ending balance over the \$1 million mark.

Capital Projects Funds

- The *Building Fund* accounts for the construction of capital facilities and buildings from the sale of bond proceeds. Twenty million dollars in bonds were issued during the year, in addition to \$778,575 in interest earnings. Expenditures for facility construction totaled \$27.6 million for the year, in accordance with the Facility Master Plan adopted in 2000. The bulk of the work this year was focused at Oceanside High School and Nichols Elementary School.
- The *State School Building Lease-Purchase Fund* is used to account for state apportionments provided for construction and reconstruction of school facilities. A small balance of \$841,631 remained at year-end from the “old” state bond program.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees. Strong local construction activity generated \$4.5 million in fee revenue this year that is earmarked for facilities to accommodate enrollment growth. More than \$1.5 million was expended to lease modular classrooms.
- The *County School Facilities Fund* was established to receive apportionments from the State School Facilities Fund for new facility construction and modernization projects. State bond funding received for Oceanside High School modernization was nearly depleted by year-end. Additional funding is contingent upon California voter approval of the state-wide school facilities bond in November 2002.
- The *Special Reserve Fund for Capital Outlay Projects* exists to provide for the accumulation of General Fund monies for capital outlay purposes. No balance remained in this fund at year-end.

Debt Service Funds

- The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for the repayment of District general obligation bonds.
- The *Tax Override Fund* is used to account for the accumulation of resources from *ad valorem* tax levies for the repayment of State School Building Fund apportionments.

Proprietary Funds

- The *Self-Insurance Fund* is used to separate monies associated with the self-insurance activities of the District. Ending balance reserves of \$467,924 are ample to cover district liabilities.

Fiduciary Funds

- *Student Body Funds* are used to account for the activities of student groups. The district serves as fiscal agent for these student funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2001-2002, the District invested \$31.7 million in capital assets, including school buildings, bus replacement, telephone system upgrades, cafeteria equipment and computer networking. The bulk was for facility construction and modernization funded from bond proceeds. Nichols Elementary School is on-schedule to open in fall 2002, and the new 3-story science classroom building at Oceanside High School is anticipated to open soon thereafter. Classroom renovations are also underway at Laurel Elementary School and Oceanside High School. Substantial investments were also made in replacing older school busses with low-polluting CNG busses using grant funding, and replacing obsolete cafeteria equipment in school kitchens.

Long-Term Debt

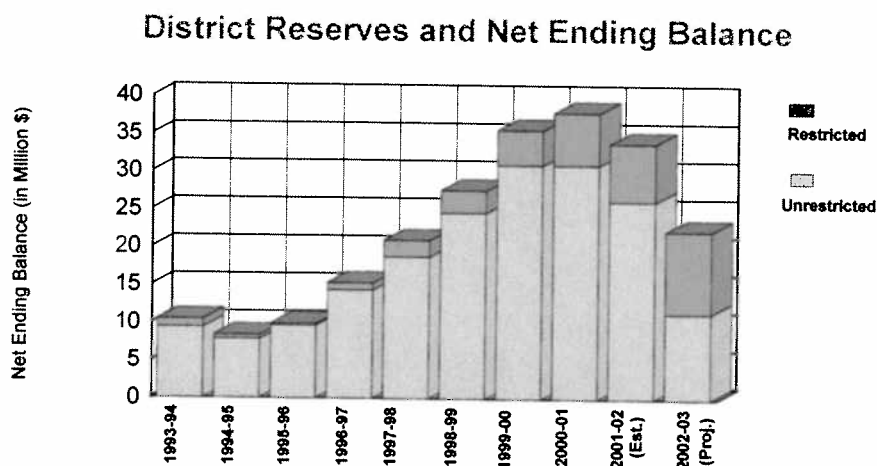
The district paid \$881,414 in debt service during the year, primarily for repayment of COP obligations and capital leases. A total of \$20 million in general obligation bonds were issued to support the facility modernization program. On net, total debt increased during 2001-02.

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

The Oceanside Unified School District remains in a stronger financial position than many California school districts. General Fund reserves of \$20.2 million provide a buffer against economic uncertainty. General obligation bonds approved by local voters provide resources to address facility needs and to match state bond funds. Enrollment growth continues to generate added operating revenue. Still, several factors are cause for caution.

Figures 1 shows that following six years of growing reserves and larger ending balances that peaked in 2000-01, ending balances dropped modestly in 2001-02, and are projected to drop sharply in 2002-03. This turning point in District finances is a reflection of changes in the fiscal condition of the state. California's economy boomed during the late 1990's generating large state budget surpluses. Starting in 1995-96, California schools received substantial increases in state funding, including new programs for class size reduction in grades K-3 and grade 9, dramatic expansion in accountability measures starting in 1999, and funding for revenue limit deficits.

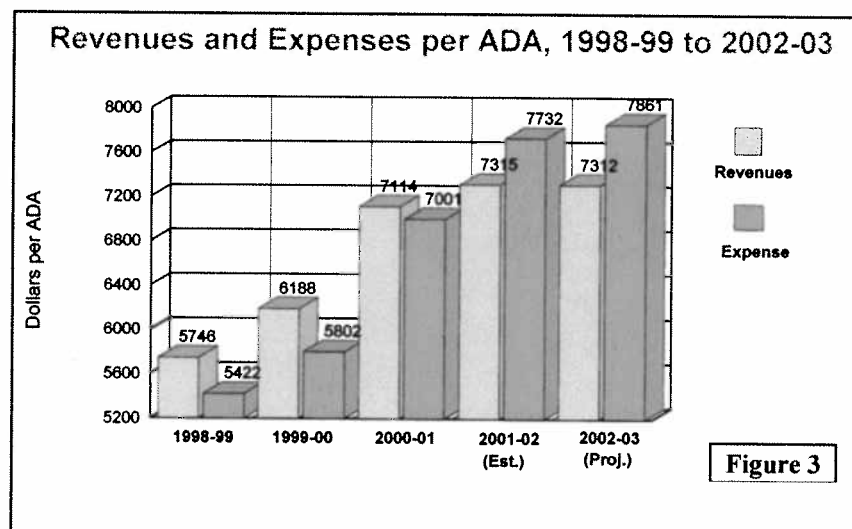
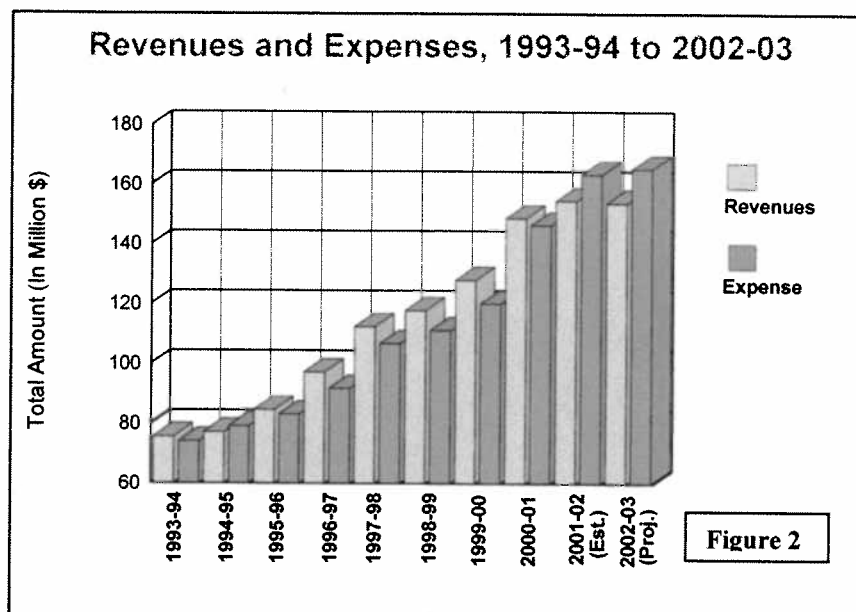
Figure 1



Figures 2 and 3 show the sharp increase in total revenues and per student revenues for the Oceanside Unified School District during this period. Total revenues per ADA jumped from \$5,746 in 1998-99 to \$7,732 in 2001-02 – an increase of 35%. District expenditures increased correspondingly, as class sizes were reduced, teacher salaries were improved, and added funding was invested in strengthening instructional programs and new initiatives to ensure that all students learn. These efforts translated into substantial gains in the API scores for District schools.

The subsequent economic recession and sharp decline in state tax revenues has forced California to retrench, with major reductions for K-12 education. The 2001-02 state budget provided a modest 3.87% COLA for schools, plus cutbacks in several key state initiatives started just one or two years before. The fiscal challenge for California school districts was compounded by unprecedented mid-year cuts in state funding for public education.

The outlook for future years is worrisome. The 2002-03 state budget provides a small 2.0% COLA for K-12 education and further cutbacks in categorical programs and new initiatives. The Oceanside Unified School District faces the challenge of covering the cost of employee salaries and benefits and other fixed costs, and absorbing the costs to open two new schools and to maintain programs added in recent years, from a cost of living increase of just \$93 per ADA. Despite \$2 million in budget cuts, the adopted District budget for 2002-03 includes deficit spending of nearly \$12 million. By year-end, District reserves will be drawn down to the 3 percent minimum required by the state. Once excess reserves are depleted, sharp spending reduction will be required to balance expenditures with projected revenues. The magnitude of budget cuts anticipated for 2003-04 and 2004-05 are in the range of \$6 million per year.



Basic Financial Statements

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2002

	Governmental Activities
ASSETS:	
Cash	\$ 66,661,674
Accounts Receivable	7,912,827
Stores Inventories	299,591
Prepaid Expenses	545,600
Capital Assets:	
Land	13,821,107
Improvement of Sites	4,901,724
Buildings	41,039,599
Equipment	12,626,557
Work in Progress	35,453,706
Less accumulated depreciation	(29,758,043)
Total Assets	<u>153,504,342</u>
LIABILITIES:	
Accounts Payable	8,364,324
Deferred Revenues	2,778,570
Noncurrent Liabilities:	
Due within one year	2,067,455
Due in more than one year	53,248,117
Total Liabilities	<u>66,458,466</u>
NET ASSETS	
Invested in capital assets, net of related debt	45,499,483
Restricted For:	
Capital Projects	3,663,521
Debt Service	1,235,256
Educational Programs	8,401,886
Other Purposes (expendable)	10,574,929
Other Purposes (nonexpendable)	339,590
Unrestricted	17,331,211
Total Net Assets	<u>\$ 87,045,876</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government Activities:				
<i>Instruction</i>	\$ 102,651,734	\$ 675,595	\$ 22,067,533	\$ 1,299,527
<i>Instruction Related Services</i>	20,703,139	275,280	5,026,188	
<i>Pupil Services</i>	20,920,774	2,579,199	9,564,547	-
<i>General Administration</i>	8,217,269	271,556	1,170,407	-
<i>Plant Services</i>	17,187,542	12,513	821,017	-
<i>Facility Acquisition and Construction</i>	2,697,545	48,787	3,917,733	-
<i>Ancillary Services</i>	141,756	-	-	-
<i>Community Services</i>	450,507	43	318,436	-
<i>Interest on Long-Term Debt</i>	2,081,029	-	-	-
<i>Other Outgo</i>	1,025,838	41,272	(131,257)	-
Total Governmental Activities	176,077,133	3,904,245	42,754,604	1,299,527
Total Primary Government	\$ 176,077,133	\$ 3,904,245	\$ 42,754,604	\$ 1,299,527

General Revenues:

Taxes and Subventions

Federal and State Aid not Restricted to Specific Purposes

Interest and Investments

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (78,606,079)
(15,401,671)
(8,777,028)
(6,775,306)
(16,354,012)
1,268,975
(141,756)
(132,028)
(2,081,029)
(1,115,823)
(128,118,757)
(128,118,757)

39,885,938
79,262,366
2,472,538
5,150,145
342,108
127,113,095

(1,005,662)

88,051,538
\$ 87,045,876

OCEANSIDE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2002

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
<i>Cash in County Treasury</i>	\$ 32,837,096	\$ 21,090,589	\$ 11,436,183	\$ 65,363,868
<i>Cash on Hand and in Banks</i>	-	-	136,608	136,608
<i>Cash in Revolving Fund</i>	30,000	-	10,000	40,000
<i>Cash with a Fiscal Agent/Trustee</i>	582,909	-	-	582,909
<i>Accounts Receivable</i>	6,183,251	179,252	1,546,972	7,909,475
<i>Due from Other Funds</i>	212,970	12,299	14,656	239,925
<i>Stores Inventories</i>	173,896	-	125,694	299,590
Total Assets	<u>\$ 40,020,122</u>	<u>\$ 21,282,140</u>	<u>\$ 13,270,113</u>	<u>\$ 74,572,375</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
<i>Accounts Payable</i>	\$ 3,409,188	\$ 3,786,522	\$ 405,907	\$ 7,601,617
<i>Due to Other Funds</i>	13,904	-	226,021	239,925
<i>Deferred Revenue</i>	2,771,232	-	7,338	2,778,570
Total liabilities	<u>6,194,324</u>	<u>3,786,522</u>	<u>639,266</u>	<u>10,620,112</u>
Fund Balance:				
Reserved Fund Balances:				
<i>Reserve for Revolving Cash</i>	30,000	-	10,000	40,000
<i>Reserve for Stores Inventories</i>	173,896	-	125,694	299,590
<i>Reserve for Legally Restricted Balance</i>	7,095,963	-	-	7,095,963
Designated Fund Balances:				
<i>Designated for Economic Uncertainties</i>	20,205,002	-	-	20,205,002
<i>Other Designated</i>	6,316,846	-	329,934	6,646,780
Unreserved	4,091	17,495,618	-	17,499,709
Unreserved, reported in nonmajor:				
<i>Special Revenue Funds</i>	-	-	4,759,892	4,759,892
<i>Debt Service Funds</i>	-	-	1,237,424	1,237,424
<i>Capital Projects Funds</i>	-	-	6,167,903	6,167,903
Total Fund Balance	<u>33,825,798</u>	<u>17,495,618</u>	<u>12,630,847</u>	<u>63,952,263</u>
Total Liabilities and Fund Balances	<u>\$ 40,020,122</u>	<u>\$ 21,282,140</u>	<u>\$ 13,270,113</u>	<u>\$ 74,572,375</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2002

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 63,952,263
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	467,924
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$107,842,693 and the accumulated depreciation is \$29,758,043.	78,084,650
Issuance costs for certificates of participation and bonds are not expenditures and therefore are not reported in governmental funds.	545,600
To adjust for the increase in liabilities not accrued in governmental funds because they are not normally expected to be liquidated with current financial resources.	(689,989)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in funds. The total long-term liabilities at year end were \$55,314,572.	<u>(55,314,572)</u>
Net assets of governmental activities - statement of net assets	\$ <u>87,045,876</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2002

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources	\$ 100,625,591	\$ -	\$ 710,512	\$ 101,336,103
Federal Revenue	14,663,164	-	3,913,711	18,576,875
State Revenue	31,222,807	-	2,087,452	33,310,259
Local Revenue	11,655,570	778,575	9,414,089	21,848,234
Total Revenues	<u>158,167,132</u>	<u>778,575</u>	<u>16,125,764</u>	<u>175,071,471</u>
Expenditures:				
Instruction	-	27,625,841	-	27,625,841
Pupil Services	-	-	7,823,159	7,823,159
General Administration	160,434,270	-	-	160,434,270
Plant Services	-	-	6,932,931	6,932,931
Other Outgo	816,366	-	1,457,088	2,273,454
Total Expenditures	<u>161,250,636</u>	<u>27,625,841</u>	<u>16,238,254</u>	<u>205,114,731</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,083,504)</u>	<u>(26,847,266)</u>	<u>(112,490)</u>	<u>(30,043,260)</u>
Other Financing Sources (Uses):				
Operating Transfers In	20,010	-	590,654	610,664
Operating Transfers Out	(958,132)	-	347,468	(610,664)
Other Sources	-	20,000,000	70,978	20,070,978
Other Uses	(69,973)	-	(356,482)	(426,455)
Total Other Financing Sources (Uses)	<u>(1,008,095)</u>	<u>20,000,000</u>	<u>652,618</u>	<u>19,644,523</u>
Net Change in Fund Balance	<u>(4,091,599)</u>	<u>(6,847,266)</u>	<u>540,128</u>	<u>(10,398,737)</u>
Fund Balance, July 1	37,917,397	24,342,884	12,090,719	74,351,000
Fund Balance, June 30	<u>\$ 33,825,798</u>	<u>\$ 17,495,618</u>	<u>\$ 12,630,847</u>	<u>\$ 63,952,263</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002*

Net change in fund balances - total governmental funds	\$ (10,398,737)
Amounts reported for governmental activities in the statement of activities are different because:	
The net revenue (expense) of internal service funds is reported with governmental activities.	48,534
Capital outlay expenditures made in governmental funds and financed for acquisition or construction of capital assets are reported as capital assets on the statement of net assets.	31,701,369
In the Statement of Activities, compensated absences are measured by the amounts earned by employees during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used during the year. This year the amount earned exceeded the amount used by \$262,942.	(262,942)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when due, and is recognized as interest accrues in the Statement of Activities. Interest expense is reduced by \$688,989 because current period interest expense is less than the eliminated prior-period interest.	688,989
The elimination of interfund activities and balances among governmental funds	(513,807)
Repayment of debt principal is expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	881,414
Elimination of other financing sources, other financing uses, and expenditures relating to the issuance of debt, and instead reflect liabilities and unamortized issue costs on the statement of net assets.	(20,228,901)
The current year depreciation of capital assets is not included in the governmental funds.	(2,918,079)
The current year amortization is not included in the governmental funds.	(3,502)
Change in net assets of governmental activities - statement of activities	\$ <u>(1,005,662)</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT**STATEMENT OF NET ASSETS****INTERNAL SERVICE FUND****JUNE 30, 2002**

	Nonmajor Internal Service Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
<i>Cash in County Treasury</i>	\$ 538,291	
<i>Accounts Receivable</i>	3,351	
Total Current Assets	541,642	
Total Assets	\$ 541,642	
LIABILITIES:		
Current Liabilities:		
<i>Accounts Payable</i>	\$ 73,718	
Total Current Liabilities	73,718	
Total Liabilities	73,718	
NET ASSETS:		
<i>Unrestricted Net Assets</i>	467,924	
Total Net Assets	\$ 467,924	

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2002

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
<i>Local Revenue</i>	\$ 1,641,905
Total Revenues	<u>1,641,905</u>
Operating Expenses:	
<i>Services and Other Operating Expenses</i>	1,593,371
Total Expenses	<u>1,593,371</u>
Operating Income (Loss)	<u>48,534</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) before Contributions and Transfers	48,534
Interfund Transfers In	-
Interfund Transfers Out	-
Change in Net Assets	<u>48,534</u>
Total Net Assets - Beginning	419,390
Total Net Assets - Ending	<u>\$ 467,924</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2002**

	Internal Service Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 1,764,152
<i>Cash Payments to Other Suppliers for Goods and Services</i>	<u>(1,593,371)</u>
Net Cash Provided (Used) by Operating Activities	<u>170,781</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	9,577
Net Cash Provided (Used) for Investing Activities	<u>9,577</u>
Net Increase (Decrease) in Cash and Cash Equivalents	180,358
Cash and Cash Equivalents at Beginning of Year	357,933
Cash and Cash Equivalents at End of Year	<u>\$ 538,291</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 48,534
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	131,824
Total Adjustments	<u>131,824</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 180,358</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****JUNE 30, 2002**

	Agency Fund	Student Body Funds
ASSETS:		
<i>Cash in County Treasury</i>	\$ 72,810	
<i>Cash on Hand and in Banks</i>	356,351	
<i>Accounts Receivable</i>	23,422	
<i>Store Inventories</i>	31,055	
Total Assets	\$ 483,638	
LIABILITIES:		
<i>Accounts Payable</i>	\$ 80,204	
<i>Due to Student Groups</i>	403,434	
Total Liabilities	483,638	
NET ASSETS:		
Total Net Assets	\$ -	

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT A-11

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**FIDUCIARY FUND**

YEAR ENDED JUNE 30, 2002

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
STUDENT BODY FUND				
ASSETS				
<i>Cash and investments</i>	\$ 433,881	\$ 988,968	\$ 993,688	\$ 429,161
<i>Accounts receivable</i>	19,617	3,805	-	23,422
<i>Inventory</i>	51,306	-	20,251	31,055
Total Assets	<u>\$ 504,804</u>	<u>\$ 992,773</u>	<u>\$ 1,013,939</u>	<u>\$ 483,638</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 207,109	\$ 43,143	\$ -	\$ 250,252
<i>Accounts payable</i>	144,524	-	64,320	80,204
<i>Trust accounts</i>	153,171	33,761	33,750	153,182
Total Liabilities	<u>504,804</u>	<u>76,904</u>	<u>98,070</u>	<u>483,638</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Fund Accounting

District accounts are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity (or retained earnings), revenues and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The fund types and funds utilized by the District are described below:

a. Governmental Funds:

The *General Fund* serves as the general operating fund. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following special revenue funds are utilized by the District:

- The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs.
- The Adult Education Fund is used to account separately for federal, state, and local revenues for adult education programs.
- The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

- The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program.
- The Charter School Fund is used to account for the revenues and expenditures of the district's charter school.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The following debt service funds are maintained by the District:

- The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.
- The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Fund apportionments. These taxes will continue to be levied until the debt is fully paid.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

- The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The State School Facilities Fund is established to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.
- The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes.

b. Proprietary Funds:

Internal Service Funds are used to account for those activities which render services on a cost-reimbursement basis to other organizational units of the District. The following internal service funds are utilized:

- The Self-Insurance Fund is used to separate monies associated with self-insurance activities from other operating funds of the District.

c. Fiduciary Funds:

Agency Funds account for resources held for others in a custodial capacity. The following funds are in use:

- Student Body Funds are used to account for the activities of student groups.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

- d. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Some of the significant changes in the statement include the following:

For the first time the financial statements include:

- 1) A Management Discussion and Analysis (MD&A) section providing an analysis of the district's overall financial position and results of operations.
- 2) Financial statements prepared using full accrual accounting for all of the district's activities, including infrastructure.

A change in the fund financial statements to focus on the major funds.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become both measurable and available to financial expenditures in the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on General Long-Term Debt, which is recognized when due.

Proprietary funds are accounted for on a flow of economic resources focus and use the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all applicable financial accounting and reporting standards of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, in accounting and reporting for its proprietary funds.

Agency funds are also accounted for on the modified accrual basis.

The general fixed assets account group accounts for fixed assets on the estimated cost basis.

4. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

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. Expenditures cannot legally exceed appropriations by major object code.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

5. Encumbrances

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

c. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives. The range of useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Site improvements	20 Years
Buildings	25-50 Years
Equipment	5-20 Years

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

d. Deferred Revenue

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

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end. The noncurrent portion of the liabilities is recognized in the general long-term debt account group.

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

f. Long-Term Obligations

The long-term debt of governmental funds is reported at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

g. Fund Balance Reserves and Designations

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

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

h. Property Tax

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

i. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

7. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

8. On-Behalf Payments

GASB No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to all California school districts. These on-behalf payments are not reflected in the accompanying financial statements as the net results to the general fund balance at year end is zero. The estimated amount of these on-behalf payments made for the district during 2001-02 are \$4,042,584.

B. Charter Schools

The Oceanside Unified School District is the sponsoring entity of the Pacific View Charter School pursuant to Education Code Section 47605. The financial activities of the Pacific View Charter School are presented in the Charter School Fund.

C. Cash and Investments

Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$65,974,969 as of June 30, 2002). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$65,974,969. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest 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.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$492,959 as of June 30, 2002) and in the revolving fund (\$40,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Cash with Fiscal Agent

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. These custodial risk categories are as follows:

- Category 1 - Investments that are insured, registered or held by the District or by its agent in the District's name.
- Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the District's name.

The District's investments at June 30, 2002 are shown below.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
US Treasury notes	\$ -	\$ 431,050	\$ -	\$ 431,050	\$ 431,050
LAIF bonds	-	151,859	-	151,859	151,859
Total investments	\$ -	\$ 582,909	\$ -	\$ 582,909	\$ 582,909

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

Investment Accounting Policy

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

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

D. Fund Balances-Reserved & Restricted

The following amounts have been reserved and designated by the Board of Trustees for the purposes noted:

	General Fund	Cafeteria Fund	Charter School Fund	Adult Education Fund
Reserved For:				
Revolving cash	\$ 30,000	\$ 10,000	\$ -	\$ -
Stores inventory	173,896	125,694	-	-
Legally restricted items	7,095,963	-	-	-
Total Reserved	<u>\$ 7,299,859</u>	<u>\$ 135,694</u>	<u>\$ -</u>	<u>\$ -</u>
Designated For:				
Economic uncertainties	\$ 20,205,002	\$ -	\$ -	\$ -
Other	6,316,846	-	77,564	54,386
Total Designated	<u>\$ 26,521,848</u>	<u>\$ -</u>	<u>\$ 77,564</u>	<u>\$ 54,386</u>
		Child Development Fund		
Designated For:				
Other designations	<u>\$ 197,984</u>			

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

E. Accounts Receivable

Accounts receivable as of June 30, 2002, consist of the following:

	Internal Service and Agency Funds	General Fund	Special Revenue Funds	Capital Project Funds	Totals
Federal Government: Federal Programs	\$ -	\$ 966,407	\$ 643,837	\$ -	\$ 1,610,244
State Government:					
Categorical Aid Programs	-	1,497,044	106,321	-	1,603,365
Other	-	3,116,024	110,689	-	3,226,713
Deferred Maintenance	-	-	607,863	-	607,863
Total State Government	-	4,613,068	824,873	-	5,437,941
Interest	3,351	267,600	30,267	222,483	523,701
Miscellaneous	23,422	336,176	4,764	-	364,362
Totals	\$ 26,773	\$ 6,183,251	\$ 1,503,741	\$ 222,483	\$ 7,936,248

F. Interfund Transactions

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances as of June 30, 2002, are as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$ 212,970	\$ 13,904
Cafeteria	4,805	5,825
Child development	-	112,077
Adult education	9,712	7,636
Charter school	139	87,980
Building	12,299	-
Special reserve	-	204
State school facilities	-	12,299
Totals	\$ 239,925	\$ 239,925

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2001-2002 fiscal year are as follows:

Transfers In	Transfers Out	Amount
Deferred maintenance	General	\$ 892,379
General	Special reserve	20,010
State school facilities	State school building	(301,725)
Total		\$ 610,664

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of \$73,718 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2002 are indicated below: (Note-The latest estimate of self-funding rates for the district's self insurance dental plan was as of September, 2000. The amount of June 30, 2002 liability reflects the estimate as of September, 2000)

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Internal Service Fund:				
Year 2001-02	<u>\$73,718</u>	<u>\$1,593,371</u>	<u>\$1,593,371</u>	<u>\$73,718</u>

H. Capital Assets

The changes in capital assets for the year ended June 30, 2002, are shown below:

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
Land	\$ 13,821,107	\$ -	\$ -	\$ 13,821,107
Improvement of sites	4,788,035	113,689	-	4,901,724
Buildings	40,992,782	46,817	-	41,039,599
Equipment	11,891,667	734,890	-	12,626,557
Work in progress	-	35,453,706	-	35,453,706
Accumulated depreciation	(26,839,964)	(2,918,079)	-	(29,758,043)
Net General Fixed Assets	<u>\$ 44,653,627</u>	<u>\$ 33,431,023</u>	<u>\$ -</u>	<u>\$ 78,084,650</u>

I. Certificates of Participation

In September 1997, the District issued certificates of participation in the amount of \$4,500,000 with interest rates ranging from 4.0-5.0 %.

The certificates mature through 2012 as follows:

Year Ending June 30	Principal	Interest	Total
2003	\$ 210,000	\$ 121,474	\$ 331,474
2004	220,000	112,150	332,150
2005	230,000	102,193	332,193
2006	240,000	91,555	331,555
2007	250,000	80,309	330,309
Thereafter	1,455,000	175,600	1,630,600
Totals	<u>\$ 2,605,000</u>	<u>\$ 683,281</u>	<u>\$ 3,288,281</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

J. Leases

Capital Leases

The District leases facilities and equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2003	\$ 212,871
2004	26,000
2005	26,000
2006	26,000
2007	26,000
Thereafter	78,000
Total Minimum Lease Payments	\$ 394,871
Less Amount Representing Interest	(8,090)
Present Value of Net Minimum Lease Payments	<u>\$ 386,781</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

K. General Obligation Bonds Payable

The outstanding general obligation bonded debt of the District as of June 30, 2002, is:

Date of Issuance	Interest Rate Payable	Maturity Date	Amounts Original Issue	Amounts Outstanding July 1 2001	Issued (Redeemed) Current Year	Amounts Outstanding June 30 2002
2000	5.0-8.0%	2030	\$ 9,500,000	\$ 9,500,000	\$ (50,000)	\$ 9,450,000
2001	5.20-8.10%	2032	20,000,000	20,000,000	-	20,000,000
2002	5.125-7.0%	2033	20,000,000	-	20,000,000	20,000,000
Totals			<u>\$ 49,500,000</u>	<u>\$ 29,500,000</u>	<u>\$ 19,950,000</u>	<u>\$ 49,450,000</u>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2002, are as follows:

Year Ending June 30	Principal	Interest	Total
2003	\$ 235,000	\$ 2,428,264	\$ 2,663,264
2004	465,000	2,592,831	3,057,831
2005	790,000	2,557,032	3,347,032
2006	845,000	2,508,356	3,353,356
2007	895,000	2,456,532	3,351,532
Thereafter	46,220,000	36,715,061	82,935,061
Totals	<u>\$ 49,450,000</u>	<u>\$ 49,258,076</u>	<u>\$ 98,708,076</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

L. State School Building Loans Payable

State school building loans outstanding as of June 30, 2002, are as follows:

Interest Rate	Balance July 1, 2001	Interest Charge	Repayment Current Year	Outstanding June 30, 2002
4.9%	\$ 88,721	\$ -	\$ 88,721	\$ -

State school building loans are secured by all sites purchased and improved; all equipment purchased; and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Education Code Section 16019.

Annual repayment is determined by the State Controller in accordance with Education Code Section 16214.

M. Supplemental Employee Retirement Plan (SERP)

The district has entered into a Supplemental Employee Retirement Plan (SERP) with 45 individuals as of June 30, 2002. This plan calls for annual payments through 2008-09 as follows:

Year Ending June 30,	SERP Payments
2003	\$678,880
2004	669,768
2005	669,768
2006	183,464
2007	27,568
Thereafter	8,900
Total	<u>\$2,238,348</u>

N. Changes in General Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2002, is shown below.

	Balance July 1 2001	Additions	Deductions	Balance June 30 2002
Compensated Absences	\$ 897,384	\$ -	\$ 261,941	\$ 635,443
Early Retirement Incentive	-	2,238,348	-	2,238,348
Certificates of Participation	3,055,000	-	450,000	2,605,000
Capital Leases	445,472	260,000	318,691	386,781
General Obligation Bonds	29,500,000	20,000,000	50,000	49,450,000
State School Building Loans	88,721	-	88,721	-
Totals	<u>\$ 33,986,577</u>	<u>\$ 22,498,348</u>	<u>\$ 1,169,353</u>	<u>\$ 55,315,572</u>

O. Joint Ventures (Joint Powers Agreements)

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

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

OCEANSIDE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2002 is as follows:

Total Assets	\$778,354
Total Liabilities	388,023
Total Fund Balance	390,331
Total Cash Receipts	2,484,802
Total Cash Disbursements	2,386,231
Net Change in Fund Balance	98,571

P. Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001-02 was 0% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2002, 2001 and 2000 were \$0, \$0 and \$0, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2001-02 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2002, 2001 and 2000 were \$6,381,516, \$5,942,429 and \$5,024,056, respectively, and equal 100% of the required contributions for each year.

Q. Postemployment Benefits Other Than Pension Benefits

In addition to the pension benefits described in Note P, the District provides postretirement health care benefits, as established by board policy, to all eligible employees who retire from the District until age 65 with at least 20 years of service.

In addition, at June 30, 2002 approximately 89 employees will receive medical benefits for life. The amounts paid for these benefits in the fiscal year ended June 30, 2002, was \$154,031. The estimated cost for 2002-03 is \$206,240. Under the plan, the District has agreed to continue to provide these benefits without any additional performance from these retirees.

In accordance with AB 3141, the District contracted for an accrual calculation of the plan for retirees age sixty-five and over. The study disclosed the following information regarding the future liabilities. The last actuarial study for retiree health liabilities was dated September 7, 1999. The amounts listed below are as of that date:

	<u>Over Age 65 Liability Only</u>
Present value of benefits	\$670,000
Net periodic expense	\$91,000

The evaluation of the "total retiree liability" considers the benefits for the "over age 65 liability only" study. Because these liabilities may vary depending on assumptions used in estimating them, and the variances may be material, they have not been reflected in these financial statements.

R. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT

GENERAL FUND-MAJOR FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources	\$ 100,788,961	\$ 100,625,594	\$ 100,625,591	\$ (3)
Federal Revenue	11,382,522	16,417,326	14,663,164	(1,754,162)
State Revenue	28,481,351	32,873,502	31,222,807	(1,650,695)
Local Revenue	10,199,667	12,566,537	11,655,570	(910,967)
Total Revenues	<u>150,852,501</u>	<u>162,482,959</u>	<u>158,167,132</u>	<u>(4,315,827)</u>
Expenditures:				
General Administration	154,011,540	174,488,593	160,434,270	14,054,323
Other Outgo	673,052	816,366	816,366	-
Total Expenditures	<u>154,684,592</u>	<u>175,304,959</u>	<u>161,250,636</u>	<u>14,054,323</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,832,091)</u>	<u>(12,822,000)</u>	<u>(3,083,504)</u>	<u>9,738,496</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	20,010	20,010	-
Operating Transfers Out	(648,303)	(958,132)	(958,132)	-
Other Uses	(41,296)	(173,320)	(69,973)	(103,347)
Total Other Financing Sources (Uses)	<u>(689,599)</u>	<u>(1,111,442)</u>	<u>(1,008,095)</u>	<u>103,347</u>
Net Change in Fund Balance	(4,521,690)	(13,933,442)	(4,091,599)	9,841,843
Fund Balance, July 1	37,917,397	37,917,397	37,917,397	-
Fund Balance, June 30	<u>\$ 33,395,707</u>	<u>\$ 23,983,955</u>	<u>\$ 33,825,798</u>	<u>\$ 9,841,843</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT

ADULT EDUCATION FUND-NON MAJOR FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

EXHIBIT C-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources	\$ 79,050	\$ 79,050	\$ 79,149	\$ 99
Local Revenue	5,000	10,910	9,544	(1,366)
Total Revenues	<u>84,050</u>	<u>89,960</u>	<u>88,693</u>	<u>(1,267)</u>
Expenditures:				
Pupil Services	76,864	160,571	135,995	24,576
Total Expenditures	<u>76,864</u>	<u>160,571</u>	<u>135,995</u>	<u>24,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,186</u>	<u>(70,611)</u>	<u>(47,302)</u>	<u>23,309</u>
Other Financing Sources (Uses):				
Other Uses	(3,002)	(3,002)	(6,541)	3,539
Total Other Financing Sources (Uses)	<u>(3,002)</u>	<u>(3,002)</u>	<u>(6,541)</u>	<u>(3,539)</u>
Net Change in Fund Balance	4,184	(73,613)	(53,843)	19,770
Fund Balance, July1	123,349	123,349	123,349	-
Fund Balance, June 30	<u>\$ 127,533</u>	<u>\$ 49,736</u>	<u>\$ 69,506</u>	<u>\$ 19,770</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT**EXHIBIT C-2**

CHILD DEVELOPMENT FUND-NON MAJOR FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
State Revenue	\$ 1,155,918	\$ 1,108,164	\$ 1,107,719	\$ (445)
Local Revenue	13,000	13,000	11,671	(1,329)
Total Revenues	<u>1,168,918</u>	<u>1,121,164</u>	<u>1,119,390</u>	<u>(1,774)</u>
Expenditures:				
Pupil Services	944,230	1,107,788	1,099,217	8,571
Total Expenditures	<u>944,230</u>	<u>1,107,788</u>	<u>1,099,217</u>	<u>8,571</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>224,688</u>	<u>13,376</u>	<u>20,173</u>	<u>6,797</u>
Other Financing Sources (Uses):				
Other Uses	(53,610)	(51,983)	(54,109)	2,126
Total Other Financing Sources (Uses)	<u>(53,610)</u>	<u>(51,983)</u>	<u>(54,109)</u>	<u>(2,126)</u>
Net Change in Fund Balance	171,078	(38,607)	(33,936)	4,671
Fund Balance, July 1	231,920	231,920	231,920	-
Fund Balance, June 30	<u>\$ 402,998</u>	<u>\$ 193,313</u>	<u>\$ 197,984</u>	<u>\$ 4,671</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT C-3

CAFETERIA FUND-NON MAJOR FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Federal Revenue</i>	\$ 3,580,000	\$ 3,600,000	\$ 3,747,612	\$ 147,612
<i>State Revenue</i>	242,000	245,000	248,531	3,531
<i>Local Revenue</i>	2,095,000	2,095,000	2,185,051	90,051
Total Revenues	<u>5,917,000</u>	<u>5,940,000</u>	<u>6,181,194</u>	<u>241,194</u>
Expenditures:				
<i>Pupil Services</i>	5,835,634	5,986,048	5,708,264	277,784
<i>Other Outgo</i>	87,578	87,578	87,494	84
Total Expenditures	<u>5,923,212</u>	<u>6,073,626</u>	<u>5,795,758</u>	<u>277,868</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,212)</u>	<u>(133,626)</u>	<u>385,436</u>	<u>519,062</u>
Other Financing Sources (Uses):				
<i>Other Uses</i>	<u>(275,000)</u>	<u>(275,000)</u>	<u>(275,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>(275,000)</u>	<u>(275,000)</u>	<u>-</u>
Net Change in Fund Balance	(281,212)	(408,626)	110,436	519,062
Fund Balance, July 1	862,079	862,079	862,079	-
Fund Balance, June 30	<u>\$ 580,867</u>	<u>\$ 453,453</u>	<u>\$ 972,515</u>	<u>\$ 519,062</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND-NON MAJOR FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

EXHIBIT C-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ 550,000	\$ 604,014	\$ 604,014	\$ -
Local Revenue	60,000	62,542	62,542	-
Total Revenues	610,000	666,556	666,556	-
Expenditures:				
Plant Services	1,502,800	1,502,800	460,138	1,042,662
Total Expenditures	1,502,800	1,502,800	460,138	1,042,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	(892,800)	(836,244)	206,418	1,042,662
Other Financing Sources (Uses):				
Operating Transfers In	648,303	892,379	892,379	-
Total Other Financing Sources (Uses)	648,303	892,379	892,379	-
Net Change in Fund Balance	(244,497)	56,135	1,098,797	1,042,662
Fund Balance, July1	1,848,284	1,848,284	1,848,284	-
Fund Balance, June 30	\$ 1,603,787	\$ 1,904,419	\$ 2,947,081	\$ 1,042,662

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT C-5

CHARTER SCHOOL FUND-NON MAJOR FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources	\$ 547,199	\$ 631,363	\$ 631,363	\$ -
Federal Revenue	150,000	(166,100)	166,099	332,199
State Revenue	69,530	150,399	150,397	(2)
Local Revenue	340,036	369,300	369,299	(1)
Total Revenues	<u>1,106,765</u>	<u>984,962</u>	<u>1,317,158</u>	<u>332,196</u>
Expenditures:				
Pupil Services	1,040,230	1,068,055	879,683	188,372
Total Expenditures	<u>1,040,230</u>	<u>1,068,055</u>	<u>879,683</u>	<u>188,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,535</u>	<u>(83,093)</u>	<u>437,475</u>	<u>520,568</u>
Other Financing Sources (Uses):				
Other Uses	(8,728)	(6,269)	(20,832)	14,563
Total Other Financing Sources (Uses)	<u>(8,728)</u>	<u>(6,269)</u>	<u>(20,832)</u>	<u>(14,563)</u>
Net Change in Fund Balance	57,807	(89,362)	416,643	506,005
Fund Balance, July 1	621,791	621,791	621,791	-
Fund Balance, June 30	<u>\$ 679,598</u>	<u>\$ 532,429</u>	<u>\$ 1,038,434</u>	<u>\$ 506,005</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT C-6

TAX OVERRIDE FUND-NON MAJOR FUND

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ 366	\$ 366	\$ 366	\$ -
Local Revenue	17,688	17,688	17,687	(1)
Total Revenues	18,054	18,054	18,053	(1)
Expenditures:				
Other Outgo	88,723	88,723	88,723	-
Total Expenditures	88,723	88,723	88,723	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,669)	(70,669)	(70,670)	(1)
Other Financing Sources (Uses):				
Other Sources	70,978	70,978	70,978	-
Total Other Financing Sources (Uses)	70,978	70,978	70,978	-
Net Change in Fund Balance	309	309	308	(1)
Fund Balance, July 1	1,860	1,860	1,860	-
Fund Balance, June 30	\$ 2,169	\$ 2,169	\$ 2,168	\$ (1)

OCEANSIDE UNIFIED SCHOOL DISTRICT
BOND INTEREST & REDEMPTION FUND-NON MAJOR FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2002

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ -	\$ -	\$ 42,178	\$ 42,178
Local Revenue	1,968,145	1,968,145	2,090,519	122,374
Total Revenues	<u>1,968,145</u>	<u>1,968,145</u>	<u>2,132,697</u>	<u>164,552</u>
Expenditures:				
Other Outgo	1,280,871	1,280,871	1,280,871	-
Total Expenditures	<u>1,280,871</u>	<u>1,280,871</u>	<u>1,280,871</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>687,274</u>	<u>687,274</u>	<u>851,826</u>	<u>164,552</u>
Net Change in Fund Balance	687,274	687,274	851,826	164,552
Fund Balance, July 1	383,430	383,430	383,430	-
Fund Balance, June 30	<u>\$ 1,070,704</u>	<u>\$ 1,070,704</u>	<u>\$ 1,235,256</u>	<u>\$ 164,552</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT C-8

BUILDING FUND-MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Revenue	\$ 800,000	\$ 778,574	\$ 778,575	\$ 1
Total Revenues	<u>800,000</u>	<u>778,574</u>	<u>778,575</u>	<u>1</u>
Expenditures:				
Instruction	20,258,899	41,495,707	27,625,841	13,869,866
Total Expenditures	<u>20,258,899</u>	<u>41,495,707</u>	<u>27,625,841</u>	<u>13,869,866</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,458,899)</u>	<u>(40,717,133)</u>	<u>(26,847,266)</u>	<u>13,869,867</u>
Other Financing Sources (Uses):				
Other Sources	-	20,000,000	20,000,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>-</u>
Net Change in Fund Balance	(19,458,899)	(20,717,133)	(6,847,266)	13,869,867
Fund Balance, July 1	-	24,342,884	24,342,884	-
Fund Balance, June 30	<u>\$ (19,458,899)</u>	<u>\$ 3,625,751</u>	<u>\$ 17,495,618</u>	<u>\$ 13,869,867</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT

CAPITAL FACILITIES FUND-NON MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Revenue	\$ 1,025,000	\$ 4,517,842	\$ 4,517,840	\$ (2)
Total Revenues	<u>1,025,000</u>	<u>4,517,842</u>	<u>4,517,840</u>	<u>(2)</u>
Expenditures:				
Plant Services	1,410,000	2,389,460	1,593,543	795,917
Total Expenditures	<u>1,410,000</u>	<u>2,389,460</u>	<u>1,593,543</u>	<u>795,917</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(385,000)</u>	<u>2,128,382</u>	<u>2,924,297</u>	<u>795,915</u>
Net Change in Fund Balance	(385,000)	2,128,382	2,924,297	795,915
Fund Balance, July1	1,825,994	1,825,994	1,825,994	-
Fund Balance, June 30	<u>\$ 1,440,994</u>	<u>\$ 3,954,376</u>	<u>\$ 4,750,291</u>	<u>\$ 795,915</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT C-10

STATE SCHOOL BUILDING LEASE-PURCHASE FUND-NON MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ -	\$ (65,753)	\$ (65,753)	\$ -
Local Revenue	-	15,602	21,524	5,922
Total Revenues	-	(50,151)	(44,229)	5,922
Expenditures:				
Plant Services	173,000	609,230	(210,365)	819,595
Total Expenditures	173,000	609,230	(210,365)	819,595
Excess (Deficiency) of Revenues Over (Under) Expenditures	(173,000)	(659,381)	166,136	825,517
Other Financing Sources (Uses):				
Operating Transfers In	-	301,726	(301,725)	(603,451)
Total Other Financing Sources (Uses)	-	301,726	(301,725)	(603,451)
Net Change in Fund Balance	(173,000)	(357,655)	(135,589)	222,066
Fund Balance, July1	977,220	977,220	977,220	-
Fund Balance, June 30	\$ 804,220	\$ 619,565	\$ 841,631	\$ 222,066

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT C-11

SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS FUND-NON MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Revenue	\$ 900	\$ 900	\$ 735	\$ (165)
Total Revenues	900	900	735	(165)
Expenditures:				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	900	900	735	(165)
Other Financing Sources (Uses):				
Operating Transfers Out	-	-	(20,010)	20,010
Total Other Financing Sources (Uses)	-	-	(20,010)	(20,010)
Net Change in Fund Balance	900	900	(19,275)	(20,175)
Fund Balance, July1	19,275	19,275	19,275	-
Fund Balance, June 30	\$ 20,175	\$ 20,175	\$ -	\$ (20,175)

OCEANSIDE UNIFIED SCHOOL DISTRICT

EXHIBIT C-12

STATE SCHOOL FACILITIES FUND-NON MAJOR FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Revenue	\$ 12,600,000	\$ -	\$ -	\$ -
Local Revenue	200,000	118,134	127,677	9,543
Total Revenues	12,800,000	118,134	127,677	9,543
Expenditures:				
Plant Services	11,770,000	5,607,959	5,089,615	518,344
Total Expenditures	11,770,000	5,639,115	5,114,691	524,424
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,030,000	(5,520,981)	(4,987,014)	533,967
Other Financing Sources (Uses):				
Operating Transfers Out	-	367,478	367,478	-
Total Other Financing Sources (Uses)	-	367,478	367,478	-
Net Change in Fund Balance	1,030,000	(5,153,503)	(4,619,536)	533,967
Fund Balance, July 1	5,195,517	5,195,517	5,195,517	-
Fund Balance, June 30	\$ 6,225,517	\$ 42,014	\$ 575,981	\$ 533,967

Other Supplementary Information

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

Supplementary Information Section

OCEANSIDE UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2002

The Oceanside Unified School District is located in the northwestern part of San Diego County. The district operates two comprehensive high schools, three middle schools, one continuation /alternative education high school, one opportunity ninth grade academy, and one community day school. The district provides instruction for kindergarten through twelfth grade.

Governing Board

Name	Office	Term Expires
Ms. Lillian Adams	President	November, 2002
Ms. Janet Bledsoe Lacy	Vice-President	November, 2002
Ms. Adrienne Hakes	Clerk	November, 2004
Mr. Roy Youngblood	Member	November, 2004
Ms. Emily Ortiz Wichmann	Member	November, 2002

Administration

Mr. Kenneth A. Noonan
Superintendent

Ms. Carol Dillard
Deputy Superintendent

Mr. Joseph Graybeal
Associate Superintendent

Dr. Joseph Farley
Associate Superintendent
Human Resources

Ms. Angela Ludy
Associate Superintendent
Special Projects

Ms. Carole Davis
Assistant Superintendent
Business

Ms. Cindy Sabato
Public Information Officer

OCEANSIDE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2002

TABLE E-1

	Amended Second Period Report	Amended Annual Report
Elementary:		
Kindergarten	1,758.87	1,756.82
Grades 1 through 3	5,622.22	5,599.55
Grades 4 through 6	5,105.79	5,070.04
Grades 7 and 8	2,837.29	2,811.68
Opportunity school	77.44	76.30
Home & Hospital	4.84	6.33
Community day school	9.04	10.86
Special education	447.59	452.46
Elementary totals	<u>15,863.08</u>	<u>15,784.04</u>
High School:		
Grades 9 through 12, regular classes	4,560.93	4,505.87
Special education	213.48	213.26
Continuation education	211.63	211.52
Home & Hospital	11.56	11.97
Opportunity schools	279.54	266.25
High school totals	<u>5,277.14</u>	<u>5,208.87</u>
Classes for adults:		
Concurrently enrolled	7.13	12.14
Not concurrently enrolled	29.54	34.84
Charter School	<u>203.48</u>	<u>210.48</u>
ADA totals	<u>21,380.37</u>	<u>21,250.37</u>
	Hours of Attendance	
Summer School		
Elementary	258,627	
High School	221,236	

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2002

TABLE E-2

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2001-02 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	36,000	180	N/A	Complied
Grades 1 through 3	45,000	50,400	53,040	180	N/A	Complied
Grades 4 through 6	50,000	54,000	54,420	180	N/A	Complied
Grades 7 through 8	55,000	54,000	62,529	180	N/A	Complied
Grades 9 through 12	61,300	64,800	64,802	180	N/A	Complied

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Educational Code Section 46201.

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2002

TABLE E-3

General Fund	(Budget) 2003	2002	2001	2000
Revenues and other financial sources	\$ 153,738,661	\$ 158,187,142	\$ 148,642,708	\$ 127,207,167
Expenditures and Other uses and transfers out	165,285,418	162,278,741	146,285,535	119,210,118
Change in fund balance (deficit)	(11,546,757)	(4,091,599)	2,357,173	7,997,049
Ending fund balance	\$ 22,279,041	\$ 33,825,798	\$ 37,917,397	\$ 35,560,224
Available reserves	\$ 12,933,037	\$ 26,525,939	\$ 31,497,178	\$ 31,595,170
Available reserves as a percentage of total outgo	7.8%	16.4%	21.5%	26.3%
Total long-term debt	\$ 54,000,000	\$ 55,315,572	\$ 33,987,577	\$ 14,525,915
Average daily attendance at P-2	21,298	21,380	21,087	20,707

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

The district's general fund balance has increased by \$6,262,623 over the past three years. The fiscal year 2001-02 had a decrease of \$4,091,599 in the general fund balance and fiscal year 2002-03 projects a decrease of \$11,546,757. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures and other outgo.

Total long-term debt of the district has increased by \$40,789,656 over the past two years.

The district's average daily attendance (ADA) has increased by 673 over the past two years. Fiscal year 2002-03 projects a decrease in ADA of 82.

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

TABLE E-4

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Program:			
Transportation Grant *	20.604	-	\$ 100,000
Total U. S. Department of Transportation			<u>100,000</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Programs:			
Healthy Families *	93.778	-	178,557
Medi-Cal *	93.778	-	61,907
Total Direct Programs			<u>240,464</u>
Total U. S. Department of Health and Human Services			<u>240,464</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041	-	6,807,405
Passed Through State Department of Education:			
Drug Free Schools	84.003	03207	241,963
Title I	84.010	03064	3,734,040
Migrant Education	84.011	03239	399,612
Special Education *	84.027	03379	1,910,043
Vocational Education	84.048	03569	51,194
Emergency Immigrant Education	84.162	03159	179,046
Preschool *	84.173	03430	257,439
Title IV	84.186	03453	4,177
Title II	84.281	03207	116,389
21st Century Learning	84.287	10042	396,923
IASA Title VI	84.298	03340	116,492
Class Size Reduction	84.298	03073	274,076
Total Passed Through State Department of Education			<u>7,681,394</u>
Total U. S. Department of Education			<u>14,488,799</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	3,747,612
Total U. S. Department of Agriculture			<u>3,747,612</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 18,576,875</u></u>

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

The accompanying notes are an integral part of this schedule.

OCEANSIDE UNIFIED SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2002

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oceanside Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Oceanside Unified School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title I	84.010	\$ 22,806

OCEANSIDE UNIFIED SCHOOL DISTRICT
*RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT (J-200) WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2002*

TABLE E-5

	<u>General Long-Term Debt Account Group</u>
June 30, 2002, annual financial and budget report (Form J-200) total liabilities	\$ <u>53,077,224</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Supplemental Employee Retirement Plan understated	<u>2,238,348</u>
Net adjustments and reclassifications	<u>2,238,348</u>
June 30, 2002, audited financial statement, general long-term debt total liabilities	\$ <u><u>55,315,572</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the Form J-200 to the audited financial statements.

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200

EL CAJON, CA 92020

TEL (619) 447-6700 • FAX (619) 447-6707

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

Board of Trustees
Oceanside Unified School District
Oceanside, California

Members of the Board of Trustees:

We have audited the general purpose financial statements of Oceanside Unified School District as of and for the year ended June 30, 2002, and have issued our report thereon dated January 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Oceanside Unified School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oceanside Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted certain other matters involving internal control over financial activities we have reported in the accompanying Schedule of Audit Findings and Questioned Costs.

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



Wilkinson & Hadley, LLP
January 16, 2003

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200
EL CAJON, CA 92020
TEL (619) 447-6700 • FAX (619) 447-6707

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

Board of Trustees
Oceanside Unified School District
Oceanside, California

Members of the Board of Trustees:

Compliance

We have audited the compliance of Oceanside Unified School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Oceanside Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oceanside Unified School District's management. Our responsibility is to express an opinion on Oceanside Unified School District's compliance based on our audit.

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

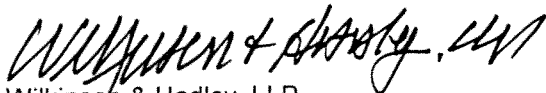
In our opinion, Oceanside Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Oceanside Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oceanside Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Wilkinson & Hadley, LLP", with a stylized flourish at the end.

Wilkinson & Hadley, LLP
January 16, 2003

WILKINSON & HADLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

250 E. DOUGLAS AVE., SUITE 200

EL CAJON, CA 92020

TEL (619) 447-6700 • FAX (619) 447-6707

Auditor's Report on State Compliance

Board of Trustees
Oceanside Unified School District
Oceanside, California

Members of the Board of Trustees:

We have audited the general purpose financial statements of the Oceanside Unified School District ("District") as of and for the year ended June 30, 2002, and have issued our report thereon dated January 16, 2003. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

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

Description	Procedures In Controller's Audit Guide	Procedures Performed
Attendance accounting:		
Attendance reporting	4	Yes
Kindergarten continuation	3	Yes
Independent study	13	No (see below)
Continuation education	11	Yes
Adult education	8	No (see below)
Regional occupational center/programs	4	Not applicable
Staff development days	3	Yes
County Office of Education programs	3	Not applicable
Incentive for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not applicable
Community day schools	8	No (see below)
Class size reduction program:		
Option one classes	11	Yes
Option two classes	10	Not applicable
Option one and two classes	16	Not applicable
Program to reduce class size in two courses in grade 9	8	Yes

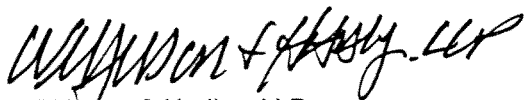
Instructional Materials Fund

State instructional materials fund		
K-8	10	Yes
9-12	7	Yes
Schiff-Bustamante standards-based instructional materials	9	Yes
Digital high school education technology grant program	5	Yes
California Public Schools Act of 1998	4	Yes
Office of Criminal Justice Planning	--	Yes

We did not perform testing for independent study, adult education, and community day school because the ADA for these programs are under the level required for testing.

Based on our audit, we found that, for the items tested, Oceanside Unified School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Oceanside Unified School District has not complied with the state laws and regulations.

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



Wilkinson & Hadley, LLP
January 16, 2003

Findings and Recommendations Section

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
84.010	Title I
84.011	Migrant Education
84.027	Special Education
84.287	Twenty-First Century
10.555	National School Lunch

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

Auditee qualified as low-risk auditee? X Yes No

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

3. State Awards

Internal control over state programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Type of auditor's report issued on compliance for state programs:	<u>Unqualified</u>	

B. Financial Statement Findings

Finding 2002-1 (30000)

Child Development Fund

Criteria or Specific Requirement

Determine the fiscal and attendance information submitted to the California Department of Education relating to the child development programs maintained by the district is complete and accurate.

Condition

In our review of the year end fiscal report submitted by the district, we noted the amount reported as interest income was understated by \$1,770.

Questioned Costs

None

Recommendation

We recommend the district file an amended June 30, 2002 fiscal report and correctly report the interest income.

LEA's Response

The District filed an amended Attendance & Fiscal Report for State Preschool Programs with the California Department of Education on October 22, 2002. The District received a Final Earnings Calculation from the California Department of Education on November 12, 2002 acknowledging the changes to interest income and indicating no payment due.

Finding 2002-2 (60000)

Self Insurance/Risk Management

Criteria or Specific Requirement

Determine that the district is in compliance with state requirements relating to actuarial studies for their self insurance programs and determine the correct estimated liabilities are set up for Incurred But Not Reported (IBNR) claims.

Condition

In our review of the self insurance programs of the district, we noted the last actuarial study that was performed for the district was for the period ending September, 2000. As a result, there are no current estimated IBNR totals. The district is carrying on their books as a liability the amount estimated as of September, 2000.

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

Questioned Costs

None

Recommendation

We recommend the district obtain the required actuarial study for their self insurance programs as soon as possible in order to comply with state requirements for these studies and allow for the accrual of the estimated IBNR claims at year end.

LEA's Response

The District obtained an actuarial study for the self insurance programs in November, 2002 indicating our reserve needs for the IBNR claims.

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 2002-3 (10000)

Attendance

Criteria or Specific Requirement

Determine whether the monthly site summaries used for summarizing attendance provide accurate information that has been verified and approved by site personnel.

Condition

In our review of attendance at Pacifica Elementary School, we found that not all teachers are properly signing and dating the monthly class record as verification that the information on the class record is complete and accurate. As a result of some teachers not signing the class record, we performed additional audit procedures to satisfy ourselves that the information included on the monthly summary was accurate. Based on our additional testing we determined the attendance reported was correct and no adjustment to the attendance reported needed to be made.

Questioned Costs

None

Recommendation

We recommend procedures be implemented that will require all teachers to properly sign and date the monthly class record used for attendance purposes as verification the information contained on the class record is complete and accurate.

LEA's Response

Procedures are in place at all of the District's school sites that require the teachers to sign and date the class records used for attendance purposes. District staff worked directly with Pacifica Elementary School to ensure that proper procedures are followed in the future and have verified that class records are in fact now being signed according to procedure.

OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2002

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2001-1 Vacation Benefits</p> <p>Some employees were carrying over from year-to-year more vacation time than allowed by district policy.</p> <p>Implement a procedure that will require all employees to adhere to district carryover policy.</p>	Implemented	
<p>Finding 2001-2 Student Body Funds</p> <p>Internal accounting controls over cash receipts and disbursements at Jefferson Middle School were lacking.</p> <p>Implement policies and procedures to strengthen the internal controls.</p>	Implemented	
<p>Finding 2001-3 Program to Reduce Class Size in Two Courses in Grade 9</p> <p>Clerical errors caused Form J-9MH-A to be overstated by 28 students eligible for funding.</p> <p>File an amended Form J-9MH-A.</p>	Implemented	