

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

**AUDIT REPORT**

**JUNE 30, 2004**

**Wilkinson Hadley & Co., LLP  
250 E. Douglas Avenue  
Suite 200  
El Cajon, CA 92020**

*Introductory Section*

Oceanside Unified School District  
Audit Report  
For The Year Ended June 30, 2004

TABLE OF CONTENTS

	Page	Exhibit/Table
 <b>FINANCIAL SECTION</b>		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	12	Exhibit A-1
Statement of Activities.....	13	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	17	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	18	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	20	Exhibit A-6
Statement of Net Assets - Internal Service Fund.....	22	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Internal Service Fund.....	23	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	24	Exhibit A-9
Statement of Fiduciary Net Assets - Fiduciary Funds.....	25	Exhibit A-10
Notes to the Financial Statements .....	26	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	38	Exhibit B-1
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Schedule of Average Daily Attendance.....	39	Table C-1
Schedule of Instructional Time.....	40	Table C-2
Schedule of Financial Trends and Analysis.....	41	Table C-3
Reconciliation of Annual Financial and Budget Report		
With Audited Financial Statements.....	42	Table C-4
Schedule of Charter Schools.....	43	Table C-5
Schedule of Expenditures of Federal Awards .....	44	Table C-6
Notes to the Schedule of Expenditures of Federal Awards.....	45	
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> .....	46	
Report on Compliance with Requirements Applicable		
To each Major Program and Internal Control over Compliance		
In Accordance With OMB Circular A-133.....	47	
Auditor's Report on State Compliance.....	49	
Schedule of Findings and Questioned Costs .....	51	
Summary Schedule of Prior Audit Findings.....	54	

*Financial Section*



**Wilkinson Hadley & Co. LLP**  
CPAs and Advisors

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 92054

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oceanside Unified School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oceanside Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oceanside Unified School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

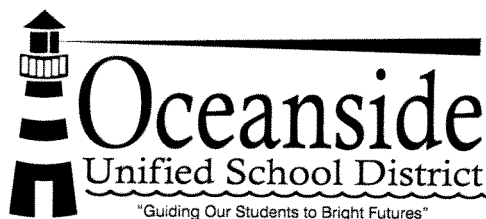
In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004, on our consideration of Oceanside Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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

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

*Wilkinson Hadley & Co. LLP*

Wilkinson Hadley & Co., LLP  
October 22, 2004



**Board of Education**  
Janet Bledsoe Lacy, President  
Adrianne Hakes, Ed.D., Vice President  
Roy Youngblood, Clerk  
Lillian V. Adams, Member  
Emily Ortiz Wichmann, Member

Kenneth A. Noonan, Superintendent

## **MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

### **June 30, 2004**

### **(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, 2004.

### **FINANCIAL HIGHLIGHTS**

- General Fund expenditures exceeded revenues by \$2 million in 2003-04, reducing the ending balance to \$26.5 million.
- Still, the district continued to maintain ample reserves, with \$18.1 million designated for economic uncertainties at year-end. This represents 12% of total budget, compared to the 3% minimum required by the state.
- Student enrollment continued to decline causing a drop in ADA over the prior year.
- Construction was completed on the modernization projects at Laurel Elementary School and Jefferson Middle School. Work began on the new Science and Technology building at El Camino High School. Preparation for the future opening of two schools and various modernization projects throughout the district continued, for a total capital outlay for facility construction of \$18 million for the year.
- District long-term liabilities rose to \$82 million, the majority of this debt being the repayment of general obligation bonds for facility construction and early retirement incentive programs offered in recent years.
- Overall, net assets increased by \$11.9 million for the district.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Beginning in 2001-02, the annual financial reports of the Oceanside Unified School District have been expanded to include district-wide financial statements and management discussion and analysis in addition to the fund financial statements.

### 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 Government, issued in 1999. The MD&A provides a narrative introduction and a comparative analysis of the financial statements for the current and prior years.

### District-Wide Financial Statements

The new district-wide statements report information about the district as a whole, providing both short-term and long-term information about the district's overall financial status and 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 of 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 \$202.3 million as of June 30, 2004. Cash deposits with the County Treasury represent a significant component of district assets at \$74.3 million. Facilities represent the largest component, with buildings valued at \$95.8 million, plus an additional \$21.8 million for facilities under construction (work in progress). Land plus site improvements are valued at \$18.7 million, and equipment at \$13.6 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 \$95.9 million on June 30, 2004. 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 \$74.5 million has been issued to date. Other long-term liabilities include \$2.3 million in outstanding obligations for Certificates of Participation (COPs), and \$5.2 million for post-employment benefits for retirees.

Table 1 -- Net Assets		
	June 30, 2003	June 30, 2004
<b>Assets</b>		
Current Assets:		
Cash	\$53,389,173	\$74,326,169
Other	13,493,904	13,798,735
Capital Assets:		
Land	13,821,107	13,821,107
Improvement of Sites	4,939,184	4,939,184
Buildings	85,451,404	95,801,084
Equipment	13,230,008	13,622,969
Work in Progress	13,220,441	21,881,361
Less Accumulated Depreciation	(32,906,116)	(35,858,924)
<b>Total Assets</b>	<b>\$164,639,105</b>	<b>\$202,331,685</b>
<b>Liabilities</b>		
Current Liabilities	9,358,647	13,863,600
Long-Term Liabilities	59,579,354	85,043,663
<b>Total Liabilities</b>	<b>\$68,938,001</b>	<b>\$95,907,263</b>
<b>Net Assets</b>	<b>\$95,701,104</b>	<b>\$106,424,422</b>

Overall, net assets of the Oceanside Unified School District were determined to be \$106,424,422 on June 30, 2004. This represents an *increase* of \$11.9 million over the course of the year (Table 2). The increase in net assets is a reflection of the construction and modernization of facilities within the district.

Table 2 -- Change in Net Assets		
	2002-03	2003-04
Beginning Net Assets	\$87,045,876	*\$94,492,091
Ending Net Assets	<u>95,701,104</u>	<u>106,424,422</u>
Change in Net Assets	\$8,655,228	\$11,932,331
*Beginning Balance in 2003-04 reduced by charter school component included in prior year		

## Governmental Activities

Overall, the district expended \$163.8 million in 2003-04, whereas revenues totaled \$175.8 million. This represents a \$14 million decrease in expenditures from the prior year.

Table 3 shows that expenses related to educating and caring for children account for 80% of total district expenditures. Facilities-related costs account for 10%, while purely administrative costs account for less than 5% of total expense.

Total revenue for 2003-04 was \$175.8 million, a decrease of \$11 million from the prior year. Users of district programs paid some of this cost, primarily from cafeteria food sales. The federal and state governments supported certain programs with grants and contributions totaling \$45 million. Interest and investment earnings generated less than \$1 million. State and local taxpayers, however, paid most of the cost.

<b>Table 3 -- Governmental Activities</b>		
	<b>2002-03</b>	<b>2003-04</b>
<b>Expenditures</b>		
Instruction	\$103,464,991	\$103,717,704
Instruction-Related Services	19,314,836	15,841,970
Student Support Services	18,958,773	16,441,450
Maintenance and Operations	18,002,175	15,977,075
Administration	8,034,198	7,506,037
Interest on Long-Term Debt	2,990,685	2,692,780
Miscellaneous	7,296,916	1,693,226
<b>Total Expenditures</b>	<b>\$178,062,574</b>	<b>\$163,870,242</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	4,325,634	3,132,106
Grants and Contributions	54,643,288	44,954,661
General Revenues:		
Taxes Levied for General Purposes	41,734,739	46,159,081
Taxes Levied for Debt Services	3,576,399	3,410,746
State and Federal Unrestricted Aid	76,274,629	72,197,884
Interest and Investment Earnings	1,185,937	801,255
Miscellaneous	4,977,177	5,146,840
<b>Total Revenues</b>	<b>\$186,717,803</b>	<b>\$175,802,573</b>

## 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 \$148.8 million for 2003-04, a decrease of 2.7% from the prior year. General Fund expenditures plus transfers totaled \$151 million, a decrease of 4.4%. Employee salaries and benefits jointly comprise the largest share of expenditures at 85.5%, and are 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 2003-04 also indicated an imbalance in ongoing commitments against ongoing revenue.

The \$26.6 million ending balance at June 30, 2004 included \$18.1 million reserves designated for economic uncertainty. Although slightly lower than prior year, this is still 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 \$154,952.
- The *Deferred Maintenance Fund* is used to account separately for state apportionments and district contributions for deferred maintenance purposes. The district completed projects totaling \$710,409 for painting, heating and ventilation, asphalt repair, and roofing, and ended the year with a balance of \$2.6 million.
- 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 on a self-supporting basis by increasing a la carte food sales and reimbursement revenues to offset rising personnel costs.

## Capital Projects Funds

- The *Building Fund* accounts for the construction of capital facilities and buildings from the sale of bond proceeds. General Obligation bonds of \$25 million were issued during the year, and along with carryover balances from the previous year plus interest of \$160,508 provided funding for projects at Laurel Elementary, South Oceanside Elementary and El Camino High School, as well as planning for a new elementary and middle school. Expenditures for facility construction totaled \$5.5 million for the year, in accordance with the Facility Master Plan adopted in 2000.
- The *State School Building Lease-Purchase Fund* was previously used to account for state apportionments provided for construction and reconstruction of school facilities. This fund is gradually being eliminated and only a small balance of \$1,433 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. This year strong local construction activity generated fee revenue of \$3.8 million, which is earmarked for facilities to accommodate enrollment growth. Nearly \$3 million was expended this year for leasing modular classrooms and classroom construction.
- The *County School Facilities Fund* was established to receive apportionments from the State School Facilities Fund for new facility construction and modernization projects. Due to California voter approval of the statewide school facilities bond in November 2002, the district received \$11.6 million for construction projects this year at El Camino High School, South Oceanside Elementary, and Laurel Elementary.

### **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 \$737,654 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 2003-2004 the district invested \$19.7 million in capital assets, mostly for facility construction and modernization funded from local and state bond proceeds. Classroom renovations continued at Laurel Elementary School, South Oceanside Elementary and Oceanside High School and work was begun on the new three-story science classroom building at El Camino High School. Additionally, renovations were completed at Jefferson Middle School, and the district initiated environmental studies and architectural designs for a new elementary school and a new middle school.

## Long-term Debt

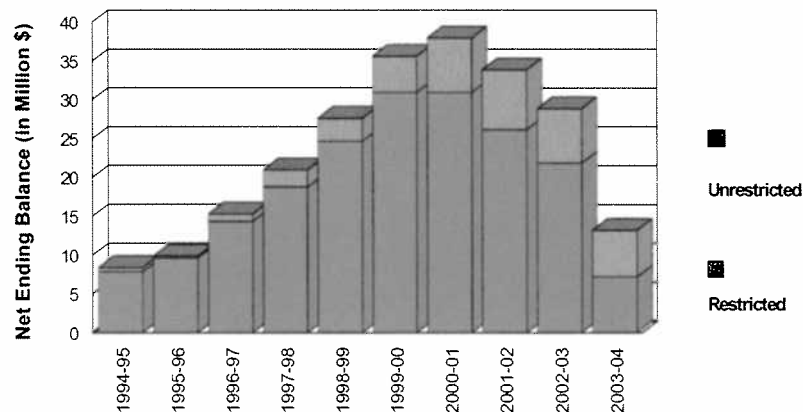
The district paid \$2.6 million in debt service during the year, primarily for postemployment benefits, repayment of COP obligations, bond redemptions and capital leases. New bonds of \$25 million were issued during the year for the construction of capital facilities and buildings. On net, total debt increased \$22.5 million during 2003-04.

## 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 \$18.1 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. Still, several factors are cause for caution.

Figure 1 shows that six years of growing reserves and larger ending balances peaked in 2000-01. In 2001-02 ending balances began to decrease and are anticipated to drop further in 2004-05. This turning point in district finances reflects 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. District Reserves and Net Ending Balance 1994-95 through 2003-04



Figures 2 and 3 show the substantial 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.

Figure 2

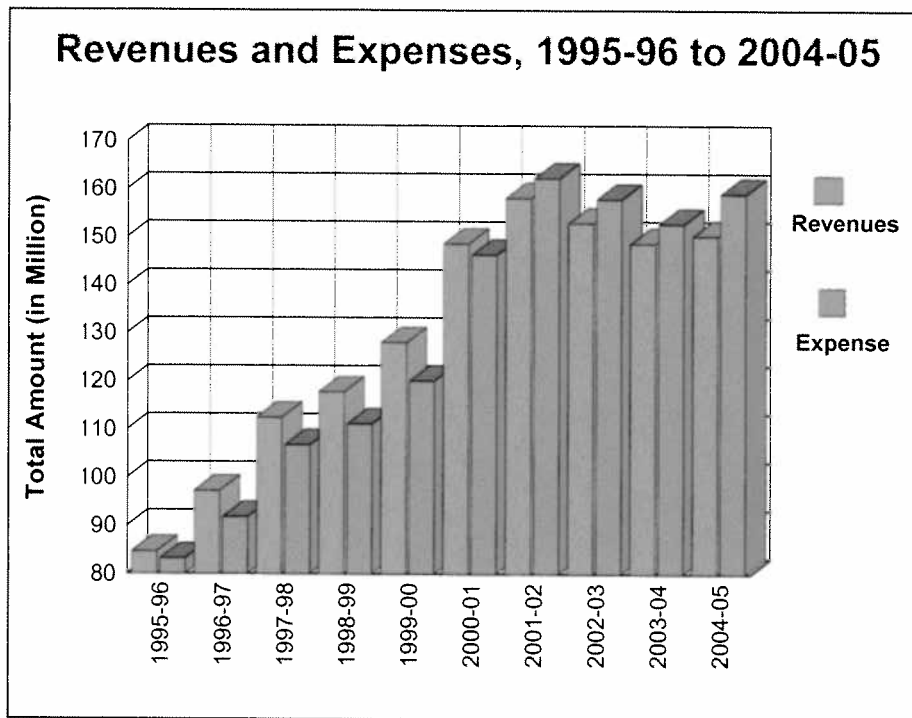
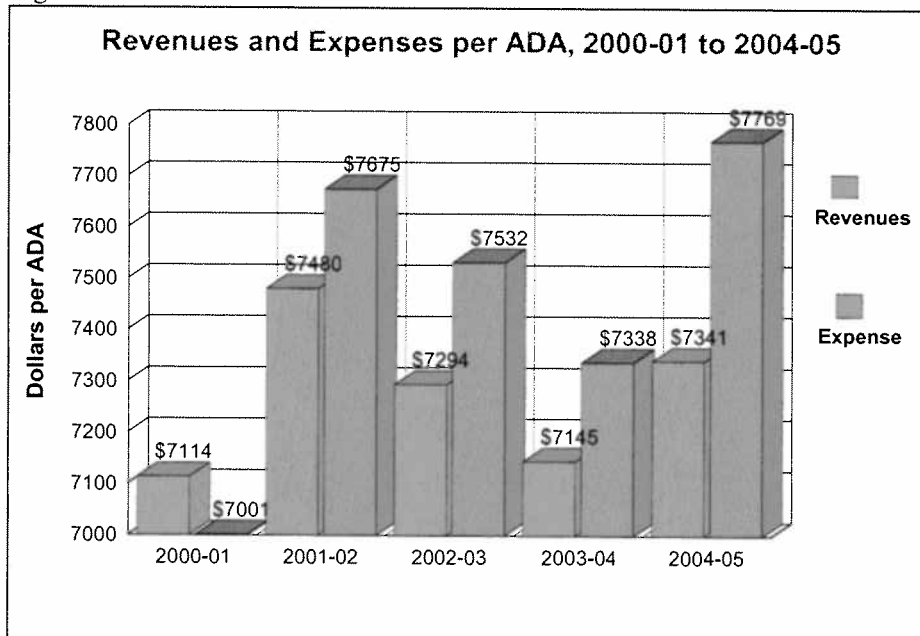


Figure 3



The subsequent economic recession and sharp decline in state tax revenues has forced California to retrench, with major reductions for K-12 education over the past three years. The fiscal challenge for Oceanside schools has been compounded by declining enrollment. District general fund revenue decreased by more than \$4 million in 2003-04. Accordingly, the district took the necessary steps to reduce expenditures by \$7.7 million in 2003-04.

The 2004-05 state budget provides a 2.41% COLA for K-12 education following several years of major cuts. The Oceanside Unified School District faces the challenge of covering the cost of employee salaries and benefits and other fixed costs, absorbing the cost of opening two new schools, and maintaining programs added in recent years. Despite \$16 million in budget cuts over the past three years, the district's adopted budget for 2004-05 anticipates deficit spending of \$10 million. By year-end district reserves will be drawn down close to the 3 percent minimum required by the state. Additional reductions will be required to balance revenues. Even as the state budget situation starts to improve, the magnitude of budget cuts required for 2005-06 and 2006-07 are expected to be in the range of \$5 million.

*Basic Financial Statements*



**OCEANSIDE UNIFIED SCHOOL DISTRICT****STATEMENT OF NET ASSETS**

JUNE 30, 2004

	Governmental Activities
<b>ASSETS:</b>	
<i>Cash in County Treasury</i>	\$ 73,689,536
<i>Cash on Hand and in Banks</i>	127,098
<i>Cash in Revolving Fund</i>	90,000
<i>Cash with a Fiscal Agent/Trustee</i>	419,531
<i>Accounts Receivable</i>	12,766,214
<i>Stores Inventories</i>	259,206
<i>Prepaid Expenses</i>	773,319
<b>Capital Assets:</b>	
<i>Land</i>	13,821,107
<i>Improvement of Sites</i>	4,939,184
<i>Buildings</i>	95,801,084
<i>Equipment</i>	13,622,969
<i>Work in Progress</i>	21,881,361
<i>Less Accumulated Depreciation</i>	<u>(35,858,924)</u>
<b>Total Assets</b>	<u>202,331,685</u>
<b>LIABILITIES:</b>	
<i>Accounts Payable</i>	9,423,177
<i>Deferred Revenues</i>	4,440,423
<b>Long-Term Liabilities:</b>	
<i>Due within One Year</i>	3,518,175
<i>Due in More Than One Year</i>	<u>78,525,488</u>
<b>Total Liabilities</b>	<u>95,907,263</u>
<b>NET ASSETS:</b>	
<i>Invested in Capital Assets, net of Related Debt</i>	63,222,901
<b>Restricted For:</b>	
<i>Capital Projects</i>	16,079,720
<i>Debt Service</i>	2,548,360
<i>Educational Programs</i>	3,583,329
<i>Other Purposes (Expendable)</i>	8,268,821
<i>Other Purposes (Nonexpendable)</i>	351,525
<i>Unrestricted</i>	<u>12,369,766</u>
<b>Total Net Assets</b>	<u>\$ 106,424,422</u>

The accompanying notes are an integral part of this statement.

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	\$ 103,717,704	\$ 787,551	\$ 18,619,256	\$ 11,216,177
Instruction-Related Services	15,841,970	242,937	4,624,206	-
Pupil Services	16,441,450	1,804,627	7,884,281	-
General Administration	7,506,037	280,101	1,547,628	-
Plant Services	15,977,075	-	625,916	-
Ancillary Services	175,789	-	-	-
Community Services	175,870	57	167,004	-
Interest on Long-Term Debt	2,692,780	-	-	-
Other Outgo	1,341,567	16,833	270,193	-
Total Governmental Activities	163,870,242	3,132,106	33,738,484	11,216,177
Total Primary Government	\$ 163,870,242	\$ 3,132,106	\$ 33,738,484	\$ 11,216,177

### General Revenues:

Taxes and Subventions

Federal and State Revenues, not restricted

Interest and Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Adjustment to Beginning Net Assets (Note N)

Net Assets-After Adjustment

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense)  
Revenue and  
Changes in  
Net Assets

---

Governmental  
Activities

---

\$ (73,094,720)  
(10,974,827)  
(6,752,542)  
(5,678,308)  
(15,351,159)  
(175,789)  
(8,809)  
(2,692,780)  
(1,054,541)  

---

(115,783,475)  

---

(115,783,475)

49,569,827  
72,197,884  
801,255  
5,146,840  

---

127,715,806  
11,932,331  
95,701,104  

---

(1,209,013)  
94,492,091  

---

\$ 106,424,422

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2004

	General Fund	Building Fund
<b>ASSETS:</b>		
<i>Cash in County Treasury</i>	\$ 24,374,287	\$ 29,990,774
<i>Cash on Hand and in Banks</i>	-	-
<i>Cash in Revolving Fund</i>	80,000	-
<i>Cash with a Fiscal Agent/Trustee</i>	419,531	-
<i>Accounts Receivable</i>	10,762,072	950,169
<i>Due from Other Funds</i>	261,838	3,905
<i>Stores Inventories</i>	74,248	-
<i>Prepaid Expenditures</i>	2,320	-
<b>Total Assets</b>	<b>\$ 35,974,296</b>	<b>\$ 30,944,848</b>
<b>LIABILITIES AND FUND BALANCE:</b>		
<b>Liabilities:</b>		
<i>Accounts Payable</i>	\$ 4,104,300	\$ 1,074,222
<i>Due to Other Funds</i>	877,608	1,391
<i>Deferred Revenue</i>	4,427,822	-
<b>Total liabilities</b>	<b>9,409,730</b>	<b>1,075,613</b>
<b>Fund Balance:</b>		
<b>Reserved Fund Balances:</b>		
<i>Reserve for Revolving Cash</i>	80,000	-
<i>Reserve for Stores Inventories</i>	74,248	-
<i>Reserve for Prepaid Items</i>	2,320	-
<i>Reserve for Legally Restricted Balance</i>	3,387,228	-
<b>Designated Fund Balances:</b>		
<i>Designated for Economic Uncertainties</i>	18,136,479	-
<i>Other Designated</i>	4,884,291	-
<b>Unreserved</b>	<b>-</b>	<b>29,869,235</b>
<b>Unreserved, reported in nonmajor:</b>		
<i>Special Revenue Funds</i>	-	-
<i>Debt Service Funds</i>	-	-
<i>Capital Projects Funds</i>	-	-
<b>Total Fund Balance</b>	<b>26,564,566</b>	<b>29,869,235</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,974,296</b>	<b>\$ 30,944,848</b>

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,874,823	\$ 11,971,506	\$ 73,211,390
-	127,098	127,098
-	10,000	90,000
-	-	419,531
35,001	821,108	12,568,350
62,073	884,042	1,211,858
-	184,958	259,206
-	-	2,320
<u>\$ 6,971,897</u>	<u>\$ 13,998,712</u>	<u>\$ 87,889,753</u>
\$ 2,641,604	\$ 351,139	\$ 8,171,265
-	332,859	1,211,858
-	12,601	4,440,423
<u>2,641,604</u>	<u>696,599</u>	<u>13,823,546</u>
-	10,000	90,000
-	184,957	259,205
-	-	2,320
-	-	3,387,228
-	-	18,136,479
-	294,075	5,178,366
4,330,293	-	34,199,528
-	3,381,097	3,381,097
-	2,551,792	2,551,792
-	6,880,192	6,880,192
<u>4,330,293</u>	<u>13,302,113</u>	<u>74,066,207</u>
<u>\$ 6,971,897</u>	<u>\$ 13,998,712</u>	<u>\$ 87,889,753</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004*

Total fund balances - governmental funds balance sheet	\$ 74,066,207
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation.	114,206,781
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period that are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:	549,527
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was :	(1,092,084)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:	(82,043,663)
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:	<u>737,654</u>
Net assets of governmental activities - statement of net assets	\$ <u>106,424,422</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 FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Building Fund
Revenues:		
Revenue Limit Sources:		
<i>State Apportionments</i>	\$ 53,910,511	\$ -
<i>Local Sources</i>	46,594,265	-
<i>Federal Revenue</i>	17,647,682	-
<i>Other State Revenue</i>	20,570,981	-
<i>Other Local Revenue</i>	10,072,648	1,045,650
Total Revenues	<u>148,796,087</u>	<u>1,045,650</u>
Expenditures:		
<i>Instruction</i>	99,904,764	-
<i>Instruction - Related Services</i>	15,549,080	-
<i>Pupil Services</i>	11,184,843	-
<i>Ancillary Services</i>	175,789	-
<i>Community Services</i>	176,232	-
<i>General Administration</i>	7,501,654	-
<i>Plant Services</i>	14,035,340	6,683,995
<i>Other Outgo</i>	1,325,835	124,757
Debt Service:		
<i>Principal</i>	246,000	-
<i>Interest</i>	112,150	-
Total Expenditures	<u>150,211,687</u>	<u>6,808,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,415,600)</u>	<u>(5,763,102)</u>
Other Financing Sources (Uses):		
<i>Operating Transfers In</i>	-	-
<i>Operating Transfers Out</i>	(845,296)	-
<i>Proceeds From Sale of Bonds</i>	-	25,000,000
Total Other Financing Sources (Uses)	<u>(845,296)</u>	<u>25,000,000</u>
Net Change in Fund Balance	(2,260,896)	19,236,898
Fund Balance, July 1	28,825,462	10,632,337
Fund Balance, June 30	<u>\$ 26,564,566</u>	<u>\$ 29,869,235</u>

The accompanying notes are an integral part of this statement.

County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 44,063	\$ 53,954,574
-	-	46,594,265
-	3,677,113	21,324,795
11,555,324	1,813,230	33,939,535
101,817	8,799,632	20,019,747
<u>11,657,141</u>	<u>14,334,038</u>	<u>175,832,916</u>
-	1,022,400	100,927,164
-	110,102	15,659,182
-	5,281,982	16,466,825
-	-	175,789
-	-	176,232
-	766,582	8,268,236
12,340,404	3,363,130	36,422,869
-	-	1,450,592
-	501,395	747,395
-	2,602,661	2,714,811
<u>12,340,404</u>	<u>13,648,252</u>	<u>183,009,095</u>
<u>(683,263)</u>	<u>685,786</u>	<u>(7,176,179)</u>
62,073	845,296	907,369
-	(62,073)	(907,369)
-	-	25,000,000
<u>62,073</u>	<u>783,223</u>	<u>25,000,000</u>
(621,190)	1,469,009	17,823,821
4,951,483	11,833,104	56,242,386
<u>\$ 4,330,293</u>	<u>\$ 13,302,113</u>	<u>\$ 74,066,207</u>



**OCEANSIDE UNIFIED SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004*

Net change in fund balances - total governmental funds		\$ 17,823,821
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	20,989,545	
Depreciation expense	<u>(3,495,559)</u>	
Net		17,493,986
Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
		747,395
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:		
		(25,000,000)
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:		
Issue costs incurred during the period	124,757	
Issue costs amortized for the period	<u>(15,732)</u>	
		109,025
Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as an increase to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:		
		8,500
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		
		(1,051,733)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		
		22,032

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(39,382)

Post employment health benefits: In the government-wide statements post employment health benefits are not reflected in the long-term debt. This amount represents an adjustment as a result of these benefits being shown in prior years:

1,827,678

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

(8,991)

Change in net assets of governmental activities - statement of activities

\$ 11,932,331

The accompanying notes are an integral part of this statement.

**OCEANSIDE UNIFIED SCHOOL DISTRICT****STATEMENT OF NET ASSETS****INTERNAL SERVICE FUND****JUNE 30, 2004**

Nonmajor Internal Service Fund
--------------------------------------

Self-Insurance Fund
------------------------

**ASSETS:**

## Current Assets:

*Cash in County Treasury*

\$ 478,146

*Accounts Receivable*

197,864

*Prepaid Expenditures*

221,472

Total Current Assets

897,482

Total Assets

\$ 897,482

**LIABILITIES:**

## Current Liabilities:

*Accounts Payable*

\$ 159,828

Total Current Liabilities

159,828

Total Liabilities

159,828

**NET ASSETS:***Restricted Net Assets*

221,472

*Unrestricted Net Assets*

516,182

Total Net Assets

\$ 737,654

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  
 FOR THE YEAR ENDED JUNE 30, 2004

	Nonmajor Internal Service Fund
	<hr/>
	Self-Insurance Fund
	<hr/>
Operating Revenues:	
<i>Local Revenue</i>	\$ 1,688,884
Total Revenues	<hr/> 1,688,884
Operating Expenses:	
<i>Services and Other Operating Expenses</i>	<hr/> 1,697,875
Total Expenses	<hr/> 1,697,875
Income (Loss) before Contributions and Transfers	(8,991)
Change in Net Assets	<hr/> (8,991)
Total Net Assets - Beginning	746,645
Total Net Assets - Ending	<hr/> \$ 737,654

The accompanying notes are an integral part of this statement.

**OCEANSIDE UNIFIED SCHOOL DISTRICT****STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED JUNE 30, 2004**

	Internal Service Fund Self Insurance Fund
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 1,494,077
<i>Cash Payments to Other Suppliers for Goods and Services</i>	<u>(1,926,214)</u>
Net Cash Provided (Used) by Operating Activities	<u>(432,137)</u>
 <b>Cash Flows from Investing Activities:</b>	
<i>Interest and Dividends on Investments</i>	<u>16,046</u>
Net Cash Provided (Used) for Investing Activities	<u>16,046</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(416,091)
Cash and Cash Equivalents at Beginning of Year	<u>894,237</u>
Cash and Cash Equivalents at End of Year	<u>\$ 478,146</u>
 <b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (8,991)
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(194,807)
<i>Decrease (Increase) in Prepaid Expenses</i>	(221,472)
<i>Increase (Decrease) in Accounts Payable</i>	<u>9,179</u>
Total Adjustments	<u>(407,100)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (416,091)</u>

The accompanying notes are an integral part of this statement.

**OCEANSIDE UNIFIED SCHOOL DISTRICT***STATEMENT OF FIDUCIARY NET ASSETS**FIDUCIARY FUNDS**JUNE 30, 2004*

	Agency Fund
	<hr/>
	Student Body Fund
	<hr/>
<b>ASSETS:</b>	
<i>Cash in County Treasury</i>	\$ 75,936
<i>Cash on Hand and in Banks</i>	<u>356,230</u>
Total Assets	<u>\$ 432,166</u>
<b>LIABILITIES:</b>	
<i>Due to Student Groups</i>	\$ <u>432,166</u>
Total Liabilities	<u>432,166</u>
<b>NET ASSETS:</b>	
Total Net Assets	<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, 2004

### 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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

#### 1. Reporting Entity

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

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

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

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

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

## OCEANSIDE UNIFIED SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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

The District reports the following major governmental funds:

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

**Building Fund.** This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

**County School Facilities Fund.** This fund was 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.

In addition, the District reports the following fund types:

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

**Capital Projects Funds:** These funds account for the acquisition and/or construction of all major governmental general fixed assets.

**Debt Service Funds.** These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

**Internal Service Funds:** These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

b. Measurement Focus, Basis of Accounting

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



# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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

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

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

### 3. Encumbrances

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

### 4. Assets, Liabilities, and Equity

#### a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$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.

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

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

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

e. Compensated Absences

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

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

f. Deferred Revenue

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

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balance Reserves and Designations

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

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

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

### C. Excess of Expenditures Over Appropriations

As of June 30, 2004, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Ancillary services	\$ 36,305
Other outgo	15,006

### D. 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 (\$73,765,472 as of June 30, 2004). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$73,765,472. 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 (\$483,328 as of June 30, 2004) and in the revolving fund (\$90,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

#### Investments:

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 investment at June 30, 2004 is shown below. Those investments which are evidenced by securities that exist in physical or book entry form are categorized by the custodial risk categories described above.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Government Money Market	\$ 419,531	\$ -	\$ -	\$ 419,531	\$ 419,531
Total Investment	\$ 419,531	\$ -	\$ -	\$ 419,531	\$ 419,531

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

### Investment Accounting Policy

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

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

### E. Capital Assets

Capital asset activity for the period ended June 30, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 13,821,107	\$ -	\$ -	\$ 13,821,107
Work in progress	13,220,441	20,347,918	11,686,998	21,881,361
Total capital assets not being depreciated	27,041,548	20,347,918	11,686,998	35,702,468
<i>Capital assets being depreciated:</i>				
Buildings	84,932,307	11,814,578	945,801	95,801,084
Improvements	4,939,184	-	-	4,939,184
Equipment	13,749,104	494,432	620,567	13,622,969
Total capital assets being depreciated	103,620,595	12,309,010	1,566,368	114,363,237
Less accumulated depreciation for:				
Buildings	(20,944,165)	(1,968,170)	-	(22,912,335)
Improvements	(3,113,297)	(157,017)	-	(3,270,314)
Equipment	(8,848,653)	(1,370,371)	(542,749)	(9,676,275)
Total accumulated depreciation	(32,906,115)	(3,495,558)	(542,749)	(35,858,924)
Total capital assets being depreciated, net	70,714,480	8,813,452	1,023,619	78,504,313
Governmental activities capital assets, net	\$ 97,756,028	\$ 29,161,370	\$ 12,710,617	\$ 114,206,781

Depreciation was charged to functions as follows:

Instruction	\$ 2,909,172
Instruction-Related Services	163,867
Pupil Services	105,615
General Administration	88,484
Plant Services	228,421
	<u>\$ 3,495,559</u>

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

### F. Interfund Balances and Activities

#### 1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2004, consisted of the following:

Due To Fund	Due From Fund	Amount
Deferred Maintenance Fund	General Fund	\$ 845,296
County School Facilities Fund	State School Building Fund	62,073
General Fund	Special Reserve Fund	403
Building Fund	Capital Facilities Fund	3,905
General Fund	Capital Facilities Fund	28,802
General Fund	Building Fund	1,391
Cafeteria Fund	General Fund	32,310
Cafeteria Fund	Child Development Fund	6,356
Child Development Fund	Cafeteria Fund	80
General Fund	Cafeteria Fund	181,189
General Fund	Adult Education Fund	4,569
General Fund	Child Development Fund	45,484
	Total	<u>\$ 1,211,858</u>

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

#### 2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2004, consisted of the following:

Transfers From	Transfers To	Amount
General Fund	Deferred Maintenance Fund	\$ 845,296
State School Building Fund	County School Facilities Fund	62,073
	Total	<u>\$ 907,369</u>

### G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

### H. Long-Term Obligations

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2004, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 49,215,000	\$ 25,000,000	\$ 465,000	\$ 73,750,000	790,000
Capital leases	316,371	-	62,395	253,976	63,958
Certificates of participation	2,395,000	-	220,000	2,175,000	230,000
SERP	7,085,826	-	1,827,678	5,258,148	1,827,678
Compensated absences *	567,157	39,382	-	606,539	606,539
Total governmental activities	<u>\$ 59,579,354</u>	<u>\$ 25,039,382</u>	<u>\$ 2,575,073</u>	<u>\$ 82,043,663</u>	<u>\$ 3,518,175</u>

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

### 2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, at June 30, 2004, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2005	\$ 3,288,175	\$ 3,394,630	\$ 6,682,805
2006	2,446,963	3,703,013	6,149,976
2007	2,591,904	3,637,939	6,229,843
2008	2,370,168	3,565,204	5,935,372
2009	1,535,453	3,484,518	5,019,971
2010-2014	8,751,000	16,097,747	24,848,747
2015-2019	10,945,000	13,785,707	24,730,707
2020-2024	13,925,000	10,678,827	24,603,827
2025-2029	17,720,000	6,631,035	24,351,035
2030-2034	16,295,000	1,756,279	18,051,279
Totals	\$ 79,868,663	\$ 66,734,899	\$ 146,603,562

### 3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2004, as follows:

Year Ending June 30:	
2005	\$ 67,723
2006	67,723
2007	46,861
2008	26,000
2009	26,000
2010-2014	26,000
Net Minimum Lease Payments	260,307
Less Amount Representing Interest	(6,331)
Total Minimum Rentals	\$ 253,976

### 4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 230,000	\$ 102,193	\$ 332,193
2006	240,000	91,555	331,555
2007	250,000	80,309	330,309
2008	265,000	68,378	333,378
2009	275,000	55,671	330,671
2010-2014	915,000	81,533	996,533
Totals	\$ 2,175,000	\$ 479,639	\$ 2,654,639

## OCEANSIDE UNIFIED SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

#### I. Joint Ventures (Joint Powers Agreements)

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

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2004 is as follows:

Total Assets	\$	1,242,146
Total Liabilities		1,407,792
Total Fund Balance		(165,646)
Total Cash Receipts		1,648,634
Total Cash Disbursements		1,684,477
Net Change in Fund Balance		(35,843)

#### J. Employee Retirement Systems

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

PERS:

##### Plan Description

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

##### Funding Policy

Active plan members are required to contribute 7% of their salary (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 rates for fiscal year 2003-04 were 2.894% of payroll for the six months ending December 31, 2003, and 2.771% of payroll for the remaining six months ending June 30, 2004. 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, 2004, 2003 and 2002 were \$1,648,090, \$742,681 and \$0, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$21,506.



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2004**

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-04 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, 2004, 2003 and 2002 were \$6,504,168, \$6,996,029 and \$6,381,516, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$4,096,576.

K. Postemployment Benefits Other Than Pension Benefits

The District provides postretirement health care benefits, as established by board policy, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. On June 30, 2004, 107 retirees met these eligibility requirements.

The District pays health insurance premiums on behalf of qualified pre-Medicare retirees at a rate ranging from 50% to 100% of the cost, depending on length of service and other factors. During the year ended June 30 2004, expenditures of \$258,875 were recognized for postretirement health care. These costs were funded on a pay-as-you-go basis. The District does not recognize a liability for future postemployment health care benefits because the amount cannot be reasonably determined. 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 retirees health liabilities was dated January 2003. The amounts listed below are as of that date:

	Total Retiree Liability	Over Age 65 Liability Only
Present value of benefits	\$ 8,543,989	\$ 2,531,723
Past service liability	\$ 6,966,473	\$ 2,531,723

L. 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.

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

### M. 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 \$159,828 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, 2004 are indicated below: (Note- The latest estimate of self-funding rates for the District's self insurance dental plan was as of October, 2002. The amount of the June 30, 2004 liability reflects the estimate as of October 2002)

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Internal Service Fund:				
Year 2003-04	\$ 150,649	\$ 1,707,054	\$ 1,697,875	\$ 159,828

### N. Adjustment To Beginning Fund Balance

The adjustment to the beginning net assets of \$1,209,013 is a result of the Charter School Fund not being included in the 2004 Statement of Activities. For 2004, the financial activities of the District's three charter schools are reported in separate audit reports.

### *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

EXHIBIT B-1

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 54,335,764	\$ 55,385,726	\$ 53,910,511	\$ (1,475,215)
Local Sources	45,357,090	45,109,175	46,594,265	1,485,090
Federal Revenue	15,112,964	20,399,679	17,647,682	(2,751,997)
Other State Revenue	21,811,266	23,560,840	20,570,981	(2,989,859)
Other Local Revenue	10,003,784	10,557,262	10,072,648	(484,614)
Total Revenues	<u>146,620,868</u>	<u>155,012,682</u>	<u>148,796,087</u>	<u>(6,216,595)</u>
Expenditures:				
Instruction	101,588,585	105,495,391	99,904,764	5,590,627
Instruction - Related Services	13,481,129	17,663,236	15,549,080	2,114,156
Pupil Services	12,313,528	11,921,662	11,184,843	736,819
Ancillary Services	126,115	139,484	175,789	(36,305)
Community Services	184,961	279,616	176,232	103,384
General Administration	7,528,482	10,173,612	7,501,654	2,671,958
Plant Services	15,383,249	15,480,463	14,035,340	1,445,123
Other Outgo	608,634	1,310,829	1,325,835	(15,006)
Debt Service:				
Principal	243,150	263,922	246,000	17,922
Interest	115,000	115,000	112,150	2,850
Total Expenditures	<u>151,572,833</u>	<u>162,843,215</u>	<u>150,211,687</u>	<u>12,631,528</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,951,965)</u>	<u>(7,830,533)</u>	<u>(1,415,600)</u>	<u>6,414,933</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(899,603)	(845,296)	(845,296)	-
Other Sources	-	(157,558)	-	157,558
Total Other Financing Sources (Uses)	<u>(899,603)</u>	<u>(1,002,854)</u>	<u>(845,296)</u>	<u>157,558</u>
Net Change in Fund Balance	(5,851,568)	(8,833,387)	(2,260,896)	6,572,491
Fund Balance, July 1	28,825,462	28,825,462	28,825,462	-
Fund Balance, June 30	<u>\$ 22,973,894</u>	<u>\$ 19,992,075</u>	<u>\$ 26,564,566</u>	<u>\$ 6,572,491</u>

### *Other Supplementary Information*

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

*Supplementary Information Section*

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2004

TABLE C-1

	Second Period Report	Annual Report
Elementary:		
Kindergarten	1,727.10	1,723.78
Grades 1 through 3	5,285.09	5,260.85
Grades 4 through 6	4,901.58	4,879.06
Grades 7 and 8	3,080.51	3,060.04
Home and Hospital	5.22	6.14
Special education	469.83	474.09
Elementary totals	15,469.33	15,403.96
High School:		
Grades 9 through 12, regular classes	4,578.96	4,511.61
Special education	248.17	243.53
Continuation education	193.85	188.95
Home and Hospital	7.67	9.10
Opportunity schools	153.26	148.22
High school totals	5,181.91	5,101.41
Classes for adults:		
Not concurrently enrolled	19.71	19.02
ADA totals	20,670.95	20,524.39
	Hours of Attendance	
Summer School		
Elementary	146,590	
High School	206,027	

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, 2004****TABLE C-2**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2003-04 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,000	36,000	180	-	Complied
Grades 1 through 3	45,000	50,400	56,000	180	-	Complied
Grades 4 through 6	50,000	54,000	54,360	180	-	Complied
Grades 7 through 8	55,000	54,000	63,766	180	-	Complied
Grades 9 through 12	61,300	64,800	64,800	180	-	Complied

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

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



# OCEANSIDE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

YEAR ENDED JUNE 30, 2004

TABLE C-3

General Fund	(Budget) 2005	2004	2003	2002
Revenues and other financial sources	\$ 150,260,987	\$ 148,796,087	\$ 152,926,594	\$ 158,111,874
Expenditures, other uses and transfers out	160,471,921	151,056,983	157,851,659	162,278,741
Change in fund balance (deficit)	(10,210,934)	(2,260,896)	(4,925,065)	(4,166,867)
Ending fund balance	\$ 16,353,632	\$ 26,564,566	\$ 28,825,462	\$ 33,750,527
Available reserves	\$ 10,948,643	\$ 23,020,770	\$ 22,134,042	\$ 26,525,939
Available reserves as a percentage of total outgo	6.8%	15.2%	14.0%	16.4%
Total long-term debt	\$ 78,525,488	\$ 82,043,663	\$ 59,579,354	\$ 55,315,572
Average daily attendance at P-2	20,529	20,671	20,984	21,380

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 decreased by \$11,352,827 over the past three years. The fiscal year 2003-04 projects a decrease of \$10,210,934. For a district this size, the state recommends reserves of at least 3% of total general fund expenditures and other outgo.

Total long-term debt has increased by \$48,056,086 over the past three years.

Average daily attendance (ADA) has decreased by 416 over the past three years.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
*RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004*

TABLE C-4

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

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

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS

YEAR ENDED JUNE 30, 2004

TABLE C-5

The following charter schools are chartered by the Oceanside Unified School District:

<u>Charter Schools</u>	<u>Included In Audit?</u>
Pacific View Charter School	No
School of Business and Technology Charter School	No
Coastal Academy Charter School	No

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2004**

TABLE C-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Direct Programs:			
Medi-Cal *	93.778	-	\$ 45,611
Child Development *	93.596	-	5,981
Total Direct Programs			<u>51,592</u>
Total U. S. Department of Health and Human Services			<u>51,592</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041	-	6,691,361
Passed Through State Department of Education:			
Adult Education	84.002	03926	80,708
Title I	84.010	03064	4,863,189
Migrant Education	84.011	03239	240,980
Special Education *	84.027	03379	2,648,404
Vocational Education	84.048	03569	206,616
Preschool *	84.173	03430	277,261
Title IV	84.186	03453	225,420
Migrant Education-Even Start	84.214	03239	68,348
Title V	84.298	04110	1,560
Comprehensive School Reform	84.332	03170	496,545
School Renovation	84.352	04141	160,438
Title III Immigrant Education	84.365	04201	40,288
Title III LEP	84.365	04203	272,953
Title II Teacher Quality	84.367	04035	736,698
Total Passed Through State Department of Education			<u>10,319,408</u>
Total U. S. Department of Education			<u>17,010,769</u>
<b><u>U. S. DEPARTMENT OF DEFENSE</u></b>			
Direct Program:			
Department of Defense Grant	12.116	-	672,001
Total U. S. Department of Defense			<u>672,001</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	3,590,433
Total U. S. Department of Agriculture			<u>3,590,433</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 21,324,795</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 FOR THE YEAR ENDED JUNE 30, 2004**

#### 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.

*Other Independent Auditor's Reports*



Wilkinson Hadley & Co. LLP  
CPAs and Advisors

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 92054

Members of the Board of Trustees:

We have audited the basic financial statements of Oceanside Unified School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. 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 basic 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 basic 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 basic 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 that we have reported on in the 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 & Co. LLP*

Wilkinson Hadley & Co., LLP  
October 22, 2004



**Wilkinson Hadley & Co. LLP**  
CPAs and Advisors

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 92054

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, 2004. 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, 2004.

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.

*Wilkinson Hadley & Co. LLP*

Wilkinson Hadley & Co., LLP  
October 22, 2004



**Wilkinson Hadley & Co. LLP**  
CPAs and Advisors

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 92054

Members of the Board of Trustees:

We have audited the basic financial statements of the Oceanside Unified School District ("District") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards And Procedures For Audits Of California K-12 Local 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 for our opinion.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Kindergarten Continuation	3	Yes
Independent Study	22	No (see below)
Continuation Education	10	Yes
Adult Education	9	No (see below)
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time and Staff Development Reform Program	7	Yes
Instructional Time:		
School Districts	4	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Class Size Reduction Program:		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Only One School Serving Grades K-3	4	Not Applicable

Instructional Materials:		
General Requirements	9	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes

We did not perform testing for independent study and adult education because the ADA was under the level that requires 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 had not complied with the state laws and regulations, except as described in the Findings and Recommendations section of this report.

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 & Co. LLP*

Wilkinson Hadley & Co., LLP  
October 22, 2004

*Findings and Recommendations Section*

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED JUNE 30, 2004*

**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
84.027	Special Education
10.555	National School Lunch
82.367	Title II
12.116	Department of Defense

Dollar threshold used to distinguish between type A and type B programs: \$500,000

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, 2004**

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 2004-1 (30000)  
 General Fund Balance

Criteria or Specific Requirement

Determine the District ending general fund balance is materially correct and the available reserves meet the state recommended minimum levels.

Condition

In review of the District's general fund balance, we noted the District has experienced deficit spending over the past three years in the amount of \$11,352,827. In addition, the District's 2004-05 approved budget projects additional deficit spending in the amount of \$10,210,934. If the District's 2004-05 results are consistent with the budgeted amounts, the general fund will have decreased by over \$21,560,000. Although the District's available reserves are in excess of the state recommended minimum level, we are concerned if the District's general fund balance continues to decline it may cause the District to make additional significant budget cuts in order to meet operating expenses.

Questioned Costs

None

Recommendation

We recommend the District continue to monitor the general fund budget and to make necessary budget adjustments as needed in order to keep the available reserves at or above the state recommended minimum level.

LEA's Response

The district is well aware of budget deficits and will continue to take necessary actions to adjust expenditures to revenues and to maintain adequate reserves. The district has responded to declining revenues with a deliberate strategy of drawing down excess reserves in combination with spending cuts. Over the past three years, budget cuts totaling over fifteen million dollars have been made. Planning is now underway to cut an additional five-plus million over the next two years.

**C. Federal Award Findings and Questioned Costs**

NONE

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED JUNE 30, 2004*

**D. State Award Findings and Questioned Costs**

Finding 2004-2(40000)  
Instructional Time and Staff Development Reform Program

Criteria or Specific Requirement

Verify that the number of Instructional Time and Staff Development Reform Program staff development days claimed were accurate based on documentation maintained by the district.

Condition

In our review of staff development days recorded for the Instructional Time and Staff Development Program on the Consolidated Application, we noted that a number of training days for classroom teachers was overstated by fourteen days due to a clerical error and the number of training days for classroom staff was understated ten days due to additional clerical errors in tabulation.

Questioned Costs

Overstatement of fourteen days for teacher training and understatement of ten days for staff training. Reduction in net funding of \$2,638.

Recommendation

We recommend the district amend the Consolidated Application to reflect the proper amount of days to be claimed for funding. In future periods, review calculations and tabulations for mathematical accuracy prior to submission.

LEA's Response

Oceanside Unified School District has submitted a revised Consolidated Application with the correct number of teachers eligible for funding under the Staff Development Buyback Program.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2003-1  Staff Development Days</p> <p>Clerical error caused the the number of teachers eligible for funding to be overstated by 203 days.</p> <p>File a revised Consolidated Application and correct the application for staff development reimbursement to reflect the overstatement of 203 days.</p>	<p>Implemented</p>	