

**OCEANSIDE UNIFIED  
SCHOOL DISTRICT**

**COUNTY OF SAN DIEGO  
OCEANSIDE, CALIFORNIA**

**AUDIT REPORT**

**June 30, 2005**

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**AUDIT REPORT**  
**June 30, 2005**

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**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**AUDIT REPORT**  
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Board of Trustees  
Oceanside Unified School District  
Oceanside, California

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oceanside Unified School District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oceanside Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

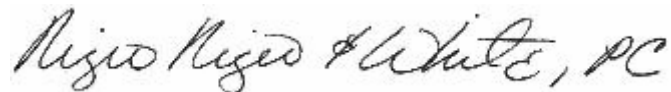
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the Oceanside School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005 on our consideration of the Oceanside Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 and budgetary comparison information on page 46 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Oceanside Unified School District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 financial statements taken as a whole.

A handwritten signature in cursive script that reads "Nigro Nigro & White, PC".

San Diego, California  
November 10, 2005

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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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, 2005.

**FINANCIAL HIGHLIGHTS**

- General Fund expenditures exceeded revenues by \$7.3 million in 2004-05, reducing the ending balance to \$22.6 million. A large portion of these expenditures, \$5.9 million, reflects a one-time payment to reduce long-term debt for post-employment benefits.
- Still, the district continued to maintain ample reserves, with \$11.9 million designated for economic uncertainties at year-end. This represents 7.4% of total budget, compared to the 3% minimum required by the state.
- Student enrollment continued to decline with a drop of more than 400 ADA over the prior year.
- New construction was completed at South Oceanside Elementary School and on the Science and Technology Building at El Camino High School, while new construction began at Jefferson Middle School. Modernization of the gymnasium at Oceanside High School began along with expansion of the existing structure. A contract was awarded in June 2005 for the construction of the new Cesar Chavez Middle School, and preparation continued for a new elementary school and various modernization projects throughout the district. Total capital outlay for facility construction came to \$29.5 million for the 2004-05 fiscal year.
- The district acquired land for construction of the new Chavez Middle School for \$3.5 million with resources received from developer impact fees.
- District long-term liabilities declined to \$75.7 million, the majority of this debt being the repayment of general obligation bonds for facility construction. The district used reserves to pay off balances of post-retirement compensation totaling \$5.9 million.
- Overall, net assets increased by \$2.3 million for the district.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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**OVERVIEW OF THE 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.



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

Table 1 shows that district assets totaled \$197.6 million as of June 30, 2005. Cash deposits with the County Treasury represent a significant component of district assets at \$46.8 million. Facilities represent the largest component, with buildings valued at \$108 million, plus an additional \$32.9 million for facilities under construction (work in progress). The district acquired land to build an elementary school in 2004-05, increasing land plus site improvements to \$23.1 million. Equipment is valued 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 \$88.8 million on June 30, 2005. 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 \$2.1 million in outstanding obligations for Certificates

of Participation (COPs) and capital leases. The district paid off the outstanding debt on post-employment benefits in 2004-05, reducing overall long-term debt by \$5.9 million.

Overall, net assets of the Oceanside Unified School District were determined to be \$108,773,820 on June 30, 2005. This represents an *increase* of \$2.3 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 1 -- Net Assets**

	<b>June 30, 2004</b>	<b>June 30, 2005</b>
<b>Assets</b>		
Current Assets:		
Cash	\$74,326,169	\$46,756,127
Other	13,798,735	11,684,258
Capital Assets:		
Land	13,821,107	16,835,264
Improvement of Sites	4,939,184	6,257,426
Buildings	95,801,084	108,056,730
Equipment	13,622,969	13,681,310
Work in Progress	21,881,361	32,861,593
Less Accumulated Depreciation	(35,858,924)	(38,544,423)
<b>Total Assets</b>	<b>\$202,331,685</b>	<b>\$197,588,285</b>
<b>Liabilities</b>		
Current Liabilities	13,863,600	13,138,030
Long-Term Liabilities	85,043,663	75,676,435
<b>Total Liabilities</b>	<b>\$95,907,263</b>	<b>\$88,814,465</b>
<b>Net Assets</b>	<b>\$106,424,422</b>	<b>\$108,773,820</b>

**Table 2 -- Change in Net Assets**

	<b>2003-04</b>	<b>2004-05</b>
Beginning Net Assets	\$94,492,091	\$106,424,422
Ending Net Assets	<u>106,424,422</u>	<u>108,773,820</u>
Change in Net Assets	\$11,932,331	\$2,349,398

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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**Governmental Activities**

Overall, the district expended \$173.5 million in 2004-05, whereas revenues totaled \$175.8 million. This represents a \$9.7 million increase in expenditures from the prior year.

Table 3 shows that expenses related to educating and caring for children account for 81% 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 2004-05 was \$175.8 million, roughly equal to 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 \$43.1 million. Interest and investment earnings generated \$1.3 million. State and local taxpayers, however, paid most of the cost.

<b>Table 3 -- Governmental Activities</b>		
	<b>2003-04</b>	<b>2004-05</b>
<b>Expenditures</b>		
Instruction	\$103,717,704	\$106,701,190
Instruction-Related Services	15,841,970	17,264,048
Student Support Services	16,441,450	17,209,141
Maintenance and Operations	15,977,075	17,911,124
Administration	7,506,037	8,471,891
Interest on Long-Term Debt	2,692,780	3,908,393
Miscellaneous	1,693,226	2,052,278
<b>Total Expenditures</b>	<b>\$163,870,242</b>	<b>\$173,518,065</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	3,132,106	3,371,230
Grants and Contributions	44,954,661	43,175,709
General Revenues:		
Taxes Levied for General Purposes	46,159,081	37,063,723
Taxes Levied for Debt Services	3,410,746	5,466,815
State and Federal Unrestricted Aid	72,197,884	83,479,978
Interest and Investment Earnings	801,255	1,288,551
Miscellaneous	5,146,840	2,021,457
<b>Total Revenues</b>	<b>\$175,802,573</b>	<b>\$175,867,463</b>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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**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 \$155.9 million for 2004-05, an increase of 4.8% from the prior year. General Fund expenditures plus transfers totaled \$162.1 million, an increase of 7.4%. Employee salaries and benefits jointly comprise the largest share of expenditures at 84.4%, and are the most rapidly growing component. Deficit spending largely reflected the one-time expense of \$5.9 million to pay off obligations for post-employment benefits. However, deficit spending in 2004-05 also indicated an imbalance in ongoing commitments against ongoing revenue.

The \$20.3 million ending balance at June 30, 2005 included \$11.9 million reserves designated for economic uncertainty. Although slightly lower than prior year, this is still more than double 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 less than \$100,000.
- The *Deferred Maintenance Fund* is used to account separately for state apportionments and district contributions for deferred maintenance purposes. The district completed projects totaling \$1 million for painting, heating and ventilation, asphalt repair, and roofing, and ended the year with a balance of \$3.2 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.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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**Capital Projects Funds**

- The *Building Fund* accounts for the construction of capital facilities and buildings from the sale of bond proceeds. No General Obligation bonds were issued during the year. A carryover balance of \$30 million from the previous year plus interest of \$449,037 provided funding for projects at Laurel Elementary, South Oceanside Elementary, Jefferson Middle School, Oceanside High School and El Camino High School, as well as planning for the new elementary and middle schools. Expenditures for facility construction totaled \$20.4 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 had a zero balance as of June 30, 2005.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees. This year local construction activity generated fee revenue of \$1.2 million, which is earmarked for facilities to accommodate enrollment growth. Nearly \$1.4 million was expended this year for leasing modular classrooms and \$3.5 million was used to purchase land for the new Chavez Middle School.
- 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 \$4.3 million for construction projects this year at Jefferson Middle School and Oceanside High School.

**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 \$981,798 are sufficient to cover district liabilities.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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**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 2004-2005 the district invested \$30 million in capital assets, mostly for facility construction and modernization funded from local and state bond proceeds. New construction was completed at South Oceanside Elementary and El Camino High Schools. New construction began at Jefferson Middle School and both modernization and expansion began on the gymnasium at Oceanside High. The district completed environmental studies for the new middle school and continued both environmental studies and architectural design for the new elementary school.

**Long-term Debt**

The district paid \$7.1 million in debt service during the year for post employment benefits, repayment of COP obligations, bond redemptions and capital leases. A large portion of this expenditure, \$5.9 million, was a one-time payment to pay off liabilities for post-employment benefit obligations made in prior fiscal years. On net, total debt decreased \$6.4 million during 2004-05.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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**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 \$11.9 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.

The following graphs show 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 2005-06. 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.

Oceanside Unified School District realized a substantial increase in total revenues and per-student revenues during this period. Total revenues per ADA increased from \$5,746 in 1998-99 to \$7,480 in 2001-02, an increase of nearly 28%. 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.

But the economy took a downward turn in 2001-02 and, for the first time, the Governor signed legislation that cut more than \$850 million from school budgets mid-year. The 2002-03 budget offered modest increases, but a shortfall in the state's projected revenues left the state facing huge deficits in the 2003-04 budget year. The 2003-04 budget continued to cut school funding with another round of mid-year across-the-board cuts.

The district's enrollment began to decline in 2002-03, further compounding the budget problems. Correspondingly, Oceanside Unified made \$16 million in budget cuts to adapt to the decreased state revenues and the loss of enrollment between 2001-02 and 2003-04.

Following several bleak years, things began to turn around again for schools in 2004-05 when the state provided a 2.41% COLA for California school districts with additional funds for enrollment growth, revenue limit equalization, deficit reduction, and categorical reforms; however, Proposition 98, the minimum funding guarantee for K – 12 education, was suspended for the first time, cutting school funding by \$2 billion along with delaying settle-up funding of \$1.2 billion from prior years. This shortfall, coupled with the district's continued declining enrollment, required the district to cut another \$2 million in expenses in 2004-05. While revenues grew slightly in 2004-05, declining enrollment in conjunction with one-time expenses caused spending per pupil to rise sharply.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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Figure 1

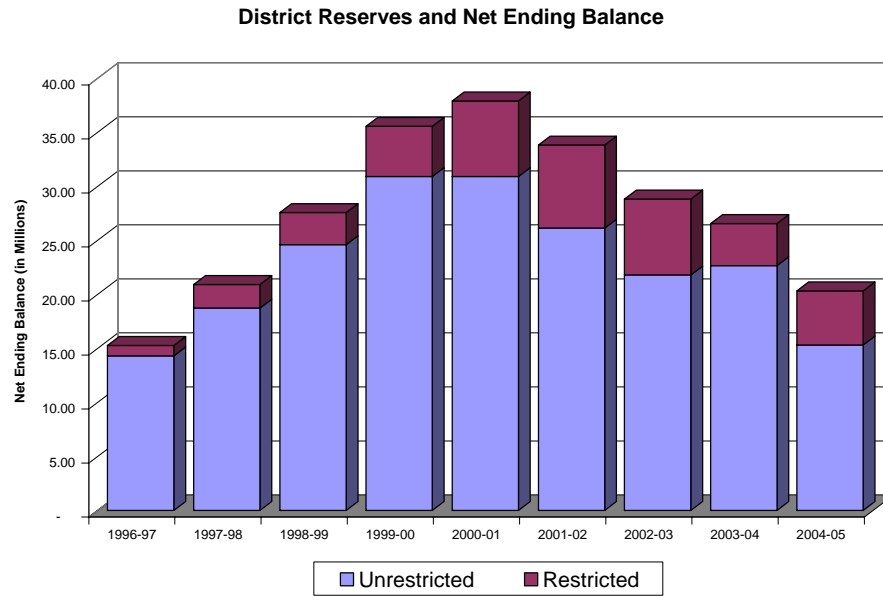
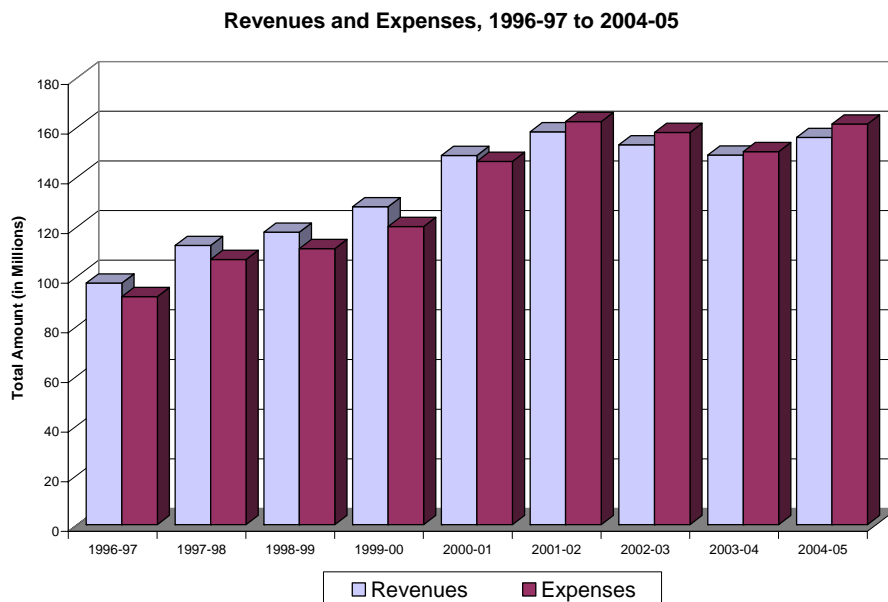


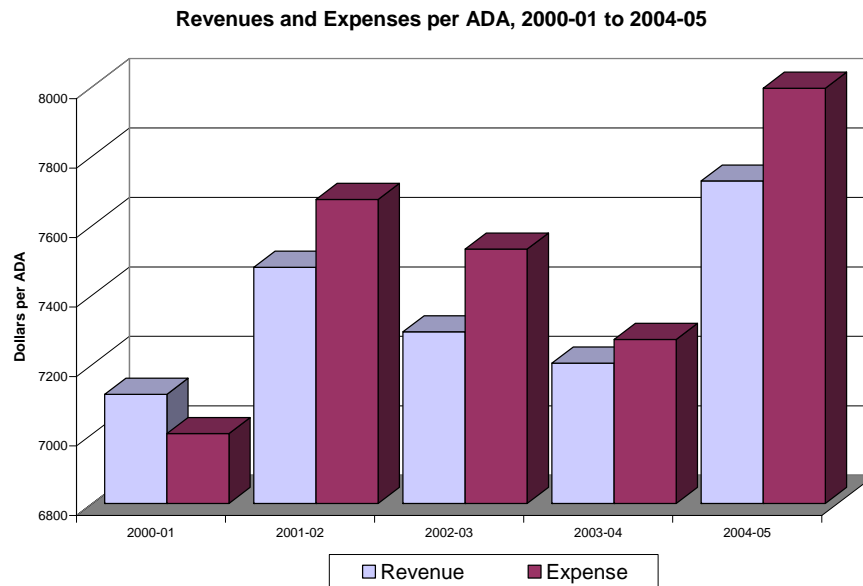
Figure 2



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2005**

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Figure 3



Looking to the future, 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 instructional programs. Despite \$21 million in budget cuts over the past four years, the district's adopted budget for 2005-06 anticipates deficit spending of \$3.5 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 2006-07 and 2007-08 are expected to be in the range of \$5 million.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Oceanside Unified School District's Business Office at 2111 Mission Avenue, Oceanside, California, 92054.



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# FINANCIAL SECTION

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**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2005**

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	Total Governmental Activities
<b>ASSETS</b>	
Cash	\$ 46,756,127
Accounts receivable	10,688,583
Stores	214,505
Prepaid expenses	781,170
Capital assets:	
Land	16,835,264
Improvement of sites	6,257,426
Buildings	108,056,730
Furniture and equipment	13,681,310
Work in progress	32,861,593
Less accumulated depreciation	(38,544,423)
Total capital assets, net of depreciation	139,147,900
Total assets	<u>\$ 197,588,285</u>
<b>LIABILITIES</b>	
Accounts payable and current liabilities	\$ 8,663,683
Deferred revenues	4,474,347
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds payable	1,040,000
Certificates of participation payable	240,000
Capital leases payable	26,000
Compensated absences payable	641,435
Portion due or payable after one year:	
General obligation bonds payable	71,920,000
Certificates of participation payable	1,705,000
Capital leases payable	104,000
Total liabilities	<u>88,814,465</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	63,062,144
Restricted for:	
Capital projects	16,183,332
Debt service	3,955,640
Educational programs	4,848,046
Other purposes (expendable)	7,937,341
Other purposes (nonexpendable)	306,809
Unrestricted	<u>12,480,508</u>
Total Net Assets	<u><u>\$ 108,773,820</u></u>

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instructional Services:					
Instruction	\$ 106,701,190	\$ 996,326	\$ 20,807,944	\$ 4,349,816	\$ (80,547,104)
Instruction-Related Services:					
Supervision of instruction	3,461,254	320,693	2,863,622	-	(276,939)
Instructional library, media and technology	1,617,504	-	102,297	-	(1,515,207)
School site administration	12,185,290	16,164	3,548,138	-	(8,620,988)
Pupil Support Services:					
Home-to-school transportation	5,122,039	-	3,978,139	-	(1,143,900)
Food services	5,121,095	1,706,234	3,638,613	-	223,752
All other pupil services	6,966,007	33,153	742,033	-	(6,190,821)
General Administration Services:					
Data processing services	746,838	-	30,251	-	(716,587)
Other general administration	7,725,053	231,693	1,511,349	-	(5,982,011)
Plant services	17,911,124	32,599	1,217,935	-	(16,660,590)
Community services	296,709	5	268,764	-	(27,940)
Ancillary services	176,587	-	-	-	(176,587)
Interest on long-term debt	3,908,393	-	-	-	(3,908,393)
Other outgo	1,578,982	34,363	116,808	-	(1,427,811)
Total Governmental Activities	<u>\$ 173,518,065</u>	<u>\$ 3,371,230</u>	<u>\$ 38,825,893</u>	<u>\$ 4,349,816</u>	<u>\$ (126,971,126)</u>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					37,063,723
Property taxes, for debt services					5,466,815
Federal and state aid not restricted					
to specific purpose					83,479,978
Interest and investment earnings					1,288,551
Miscellaneous					2,021,457
Total general revenues					<u>129,320,524</u>
Change in net assets					2,349,398
Net assets - July 1, 2004					<u>106,424,422</u>
Net assets - June 30, 2005					<u>\$ 108,773,820</u>

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**June 30, 2005**

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	General Fund	Building Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 20,284,190	\$ 11,795,753	\$ 13,760,876	\$ 45,840,819
Stores inventory	34,981	-	179,524	214,505
Accounts receivable	9,253,742	85,863	1,344,565	10,684,170
Prepaid expenditures	2,305	-	-	2,305
Due from other funds	217,903	-	872,110	1,090,013
	<u>217,903</u>	<u>-</u>	<u>872,110</u>	<u>1,090,013</u>
Total Assets	<u>\$ 29,793,121</u>	<u>\$ 11,881,616</u>	<u>\$ 16,157,075</u>	<u>\$ 57,831,812</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,126,926	\$ 2,113,802	\$ 655,410	\$ 6,896,138
Due to other funds	864,058	1,449	224,506	1,090,013
Deferred revenue	4,467,493	-	6,854	4,474,347
	<u>4,467,493</u>	<u>-</u>	<u>6,854</u>	<u>4,474,347</u>
Total Liabilities	<u>9,458,477</u>	<u>2,115,251</u>	<u>886,770</u>	<u>12,460,498</u>
<b>Fund Balances</b>				
Reserved for:				
Revolving cash	80,000	-	10,000	90,000
Inventories	34,981	-	179,524	214,505
Categorical programs	4,848,046	-	-	4,848,046
Prepaid expenditures	2,305	-	-	2,305
Debt service	-	-	3,955,640	3,955,640
Unreserved, reported in:				
General Fund	15,369,312	-	-	15,369,312
Capital projects funds	-	9,766,365	6,416,967	16,183,332
Special revenue funds	-	-	4,708,174	4,708,174
	<u>-</u>	<u>-</u>	<u>4,708,174</u>	<u>4,708,174</u>
Total Fund Balances	<u>20,334,644</u>	<u>9,766,365</u>	<u>15,270,305</u>	<u>45,371,314</u>
Total Liabilities and Fund Balances	<u>\$ 29,793,121</u>	<u>\$ 11,881,616</u>	<u>\$ 16,157,075</u>	<u>\$ 57,831,812</u>

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2005**

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**Total fund balances - governmental funds** \$ 45,371,314

Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$177,692,323 and the accumulated depreciation is \$38,544,423. 139,147,900

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are: 526,767

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (1,577,524)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligations payable	72,960,000	
Compensated absences	641,435	
Certificates of participation payable	1,945,000	
Capital leases payable	<u>130,000</u>	(75,676,435)

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:

981,798

**Total net assets - governmental activities** \$ 108,773,820

The notes to the financial statements 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, 2005

	General Fund	Building Fund	Other Funds	Total Governmental Funds
<b>REVENUES</b>				
General Revenues:				
Property taxes	\$37,063,723	\$ -	\$ 5,466,815	\$ 42,530,538
Federal and state aid not restricted to specific purpose	83,479,978	-	-	83,479,978
Earnings on investments	638,528	449,037	200,986	1,288,551
Miscellaneous	917,318	(91,291)	1,195,430	2,021,457
Program Revenues:				
Charges for services	1,466,120	-	1,905,110	3,371,230
Operating grants and contributions	32,346,891	-	6,259,081	38,605,972
Capital grants and contributions	-	-	4,349,816	4,349,816
Total revenues	155,912,558	357,746	19,377,238	175,647,542
<b>EXPENDITURES</b>				
Instructional Services:				
Instruction	\$106,020,878	-	1,001,391	107,022,269
Instruction-Related Services:				
Supervision of instruction	3,474,692	-	112,136	3,586,828
Instructional library, media and technology	1,584,958	-	-	1,584,958
School site administration	12,328,853	-	724	12,329,577
Pupil Support Services:				
Home-to-school transportation	5,057,035	-	-	5,057,035
Food services	446	-	5,087,630	5,088,076
All other pupil services	6,964,075	-	4,356	6,968,431
General Administration Services:				
Data processing services	751,127	-	-	751,127
Other general administration	7,363,289	-	570,784	7,934,073
Plant services	15,335,999	-	2,383,359	17,719,358
Facility acquisition and construction	31,539	20,460,616	9,212,102	29,704,257
Ancillary services	176,587	-	-	176,587
Community services	296,709	-	-	296,709
Other outgo:				
Transfers between agencies	1,553,529	-	-	1,553,529
Debt service - principal	256,000	-	887,976	1,143,976
Debt service - interest	104,883	-	3,320,762	3,425,645
Total Expenditures	161,300,599	20,460,616	22,581,220	204,342,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,388,041)	(20,102,870)	(3,203,982)	(28,694,893)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	3,419	-	848,658	852,077
Interfund transfers out	(845,300)	-	(6,777)	(852,077)
Total Other Financing Sources and Uses	(841,881)	-	841,881	-
Net Change in Fund Balances	(6,229,922)	(20,102,870)	(2,362,101)	(28,694,893)
Fund Balances, July 1, 2004	26,564,566	29,869,235	17,632,406	74,066,207
Fund Balances, June 30, 2005	\$ 20,334,644	\$ 9,766,365	\$ 15,270,305	\$ 45,371,314

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2005**

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**Total net change in fund balances - governmental funds** \$ (28,694,893)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$29,857,684 exceed depreciation expense (\$3,570,448) in the period. 26,287,236

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,143,976

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: (22,761)

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 increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was: 219,921

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 loss is: (1,566,038)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (485,440)

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: (34,896)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, costs are measured and recognized in relation to the annual required contribution. The annual required contribution is the normal cost related to the current period plus a calculated amount necessary to systematically amortize any unfunded liability in accordance with generally accepted accounting principles. This year, the difference between the annual required contribution and amounts actually funded was: 5,258,149

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 in internal service funds was: 244,144

**Change in net assets of governmental activities** \$ 2,349,398

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Statement of Fund Assets -- Proprietary Funds**  
**June 30, 2005**

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	Governmental Activities: Self-Insurance Fund
<b>ASSETS</b>	
Cash	\$ 915,308
Accounts receivable	4,413
Prepaid expenses	252,097
Total Assets	<u>\$ 1,171,818</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 15,912
Claims payable	174,108
Total Liabilities	<u>190,020</u>
<b>NET ASSETS</b>	
Unrestricted	<u>981,798</u>
Total Net Assets	<u>\$ 981,798</u>

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



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds**  
**For the Year Ended June 30, 2005**

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	Governmental Activities: Self-Insurance Fund
	<hr/>
<b>OPERATING REVENUES</b>	
Contributions from other funds	<hr/> \$ 1,844,694
Total Operating Revenues	<hr/> 1,844,694
<b>OPERATING EXPENSES</b>	
Insurance expense	<hr/> 1,613,106
Total Operating Expenses	<hr/> 1,613,106
Operating Income (Loss)	<hr/> 231,588
<b>NON-OPERATING REVENUES</b>	
Interest income	<hr/> 12,556
Total Non-Operating Revenues	<hr/> 12,556
Change in net assets	244,144
Net Assets, July 1, 2004	<hr/> 737,654
Net Assets, June 30, 2005	<hr/> <hr/> \$ 981,798

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2005**

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	Governmental Activities: Self-Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from assessments made to other funds	\$ 2,038,145
Cash payments for insurance expenses	(1,787,647)
Net cash provided by operating activities	250,498
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	12,556
Net cash provided by investing activities	12,556
Net increase in cash	263,054
Cash, July 1, 2004	478,146
Cash, June 30, 2005	\$ 915,308
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	231,588
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in internal activity	193,451
Increase in accounts payable	(174,541)
Net cash provided by operating activities	\$ 250,498

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets – Fiduciary Funds**  
**June 30, 2005**

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	<u>Student Body Funds</u>
<b>Assets</b>	
Cash	<u>\$    456,870</u>
Total Assets	<u><u>\$    456,870</u></u>
<b>Liabilities</b>	
Due to Student Groups	<u>\$    456,870</u>
Total Liabilities	<u><u>\$    456,870</u></u>

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Oceanside Unified School District and the Oceanside Unified School Facilities Corporation have a financial and operational relationship that meets the reporting entity definition criteria of GASB Statement No.14, as amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, for inclusion of the corporation as a component unit of the District. Accordingly, the financial activities of the component unit will be included in the financial statements of the District.

The following are those aspects of the relationship between the District and the corporation that satisfy GASB Statement No.14 criteria.

*Accountability:*

1. The District's Board of Trustees appointed the corporation's board of directors.
2. The District is able to impose its will upon the corporation, based on the following:
  - a. All major financing arrangements, contracts, and other transactions of the corporation must have the consent of the District.
  - b. The District exercises significant influence over operations of the corporation, as the District is the sole lessee of all facilities owned by the corporation. Likewise, the District's lease payments are the major revenue source of the corporation.
3. The corporation provides specific financial benefits or imposes specific financial burdens on the District, based on the following:
  - a. Any deficits incurred by the corporation will be reflected in the lease payments of the District.
  - b. Any surpluses of the corporation revert to the District at the end of the lease period.
  - c. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the corporations.

*Scope of Public Service:*

The corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The corporation was formed for the sole purpose of providing financial assistance to the District for the financing of construction and acquisition of major capital facilities and modernization of existing school sites. The District will lease certain school facilities from the corporation under a lease-purchase agreement.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. Reporting Entity (continued)

*Financial Presentation:*

For financial presentation purposes, the corporation's financial activity will be blended, or combined, with the financial data of the District. The financial statements will present the corporation's financial activity within the General Fund. Certificates of Participation issued by the corporation will be included in the Statement of Net Assets.

B. Accounting Policies

The 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Presentation

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the district. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

*Government-wide Financial Statements:*

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The district does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the district, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the district.

*Fund Financial Statements:*

Fund financial statements report detailed information about the district. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Internal Service Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the district finances and meets the cash flow needs of its proprietary activities.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other fund for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the district, "available" means collective within the current period or within 60 days after year end.

Non-exchange transactions, in which the district receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the district must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

provided to the district on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary funds and fiduciary funds as follows:



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Fund Accounting (continued)**

*Major Governmental Funds:*

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

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

*Non-major Governmental Funds:*

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains four non-major special revenue funds:

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
3. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
4. 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.

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains one debt service fund:

1. The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Fund Accounting (continued)**

*Capital Projects Funds* are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains two non-major capital project fund:

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
2. The County School Facilities Fund is used to account for state apportionments provided for modernization of school facilities under SB50.

*Proprietary Funds:*

*Internal Service Funds* are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund.

*Fiduciary Funds:*

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds, one for each school that operates a student body fund. The amounts reported for student body funds represent the combined totals of all schools within the District.

**F. Budgets and Budgetary Accounting**

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

G. 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.

H. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

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

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

2. Stores Inventories

Inventories in the Cafeteria Fund are recorded using the purchases method in that the cost is recorded as an expenditure at the time the 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.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for furniture, equipment and vehicles, and \$25,000 for buildings and building improvements. The District does not own any infrastructure as defined in GASB No. 34.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Furniture and Equipment	5-15 years
Vehicles	6 years

4. 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 exceed qualified expenditures.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

H. Assets, Liabilities, and Equity (continued)

5. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 because 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.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

H. Assets, Liabilities, and Equity (continued)

7. Fund Balance Reserves and Designations

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

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

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

I. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribe by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Revenue Limit/Property Tax**

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH**

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool (\$46,135,615 as of June 30, 2005). The fair market value of this pool as of June 30, 2005, as provided by the pool sponsor, was \$45,789,596. The District is considered an involuntary participant in the pool. 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.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 2 – CASH (continued)**

**Cash on Hand, in Banks, and in Revolving Fund**

Cash balances on hand, in banks, and in the revolving fund are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). These accounts are held within various financial institutions. As of June 30, 2005, the carrying amount of the District's accounts was \$1,077,383.

A summary of deposits as of June 30, 2005 is as follows:

	<u>Fair Market Value</u>	<u>Carrying Amount</u>
Cash in county treasury	\$ 45,789,596	\$ 46,135,615
Cash on hand and in banks	566,030	566,030
Cash in revolving funds	90,000	90,000
Cash with fiscal agent	421,352	421,352
Total	<u>\$ 46,866,978</u>	<u>\$ 47,212,997</u>

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2005 consist of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Totals</u>
Federal Government:					
Federal programs	\$ 3,372,849	\$ -	\$ 1,150,265	\$ -	\$ 4,523,114
State Government:					
Revenue limit	1,764,011	-	46,119	-	1,810,130
State programs	854,762	-	74,275	-	929,037
Categorical programs	757,027	-	-	-	757,027
Lottery	1,228,573	-	-	-	1,228,573
Local:					
Other	1,079,362	-	2,504	-	1,081,866
Interest	197,158	85,863	71,402	4,413	358,836
Totals	<u>\$ 9,253,742</u>	<u>\$ 85,863</u>	<u>\$ 1,344,565</u>	<u>\$ 4,413</u>	<u>\$ 10,688,583</u>



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 4 - INTERFUND TRANSACTIONS**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. 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/expenses. Reimbursements are 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 among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**A. Due From/Due To Other Funds**

Individual interfund receivable and payable balances as of June 30, 2005 are as follows:

	Due From Other Funds		
	General Fund	Other Funds	Total
General Fund	\$ (8,052)	\$ 872,110	\$ 864,058
Building Fund	1,449	-	1,449
Other Funds	224,506	-	224,506
	<u>\$ 217,903</u>	<u>\$ 872,110</u>	<u>\$ 1,090,013</u>

The Child Development Fund owes the General Fund for expenditures made on its behalf	\$ 104,983
The Adult Education Fund owes the General Fund for expenditures made on its behalf	2,808
The Cafeteria Fund owes the General Fund for expenditures made on its behalf	87,788
The Building Fund owes the General Fund for expenditures made on its behalf	1,449
The Capital Facilities Fund owes the General Fund expenditures made on its behalf	28,927
The General Fund owes the Deferred Maintenance Fund the state required match	864,058
Total	<u>\$ 1,090,013</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 5 - INTERFUND TRANSACTIONS (continued)**

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2004-05 fiscal year are as follows:

	Interfund Transfers Out		
	General Fund	Other Funds	Total
General Fund	\$ -	\$ 3,419	\$ 3,419
Other Funds	845,300	3,358	848,658
	<u>\$ 845,300</u>	<u>\$ 6,777</u>	<u>\$ 852,077</u>
Transfer from the General Fund to the Deferred Maintenance Fund for the state match			845,300
Transfer from the State School Building Fund to the County School Facilities Fund to close the fund			3,358
Transfer from the Tax Override Fund to the General Fund to close the fund			3,419
Total			<u>\$ 852,077</u>

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2005 is shown below:

	Beginning Balance July 1, 2004	Additions	Disposals	Ending Balance June 30, 2005
Land	\$ 13,821,107	\$ 3,310,442	\$ 296,285	\$ 16,835,264
Land improvements	4,939,184	1,318,242	-	6,257,426
Buildings and improvements	95,801,084	13,081,446	825,800	108,056,730
Furniture and equipment	13,622,969	350,234	291,893	13,681,310
Work in progress	21,881,361	26,191,533	15,211,301	32,861,593
Total at historical cost	<u>150,065,705</u>	<u>44,251,897</u>	<u>16,625,279</u>	<u>177,692,323</u>
Less accumulated depreciation:				
Site improvements	3,270,315	187,670	-	3,457,985
Buildings and improvements	22,912,335	2,261,479	614,762	24,559,052
Furniture and equipment	9,676,274	1,121,299	270,187	10,527,386
Total accumulated depreciation	<u>35,858,924</u>	<u>3,570,448</u>	<u>884,949</u>	<u>38,544,423</u>
Governmental activities capital assets, net	<u>\$ 114,206,781</u>	<u>\$ 40,681,449</u>	<u>\$ 15,740,330</u>	<u>\$ 139,147,900</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)**

Depreciation expense is allocated to the following functions in the statement of activities:

Instruction	\$ 2,962,244
Supervision of Instruction	816
Instructional Library, Media and Technology	31,878
School Site Administration	129,644
Home-to-School Transportation	87,185
Food Services	36,227
All Other Pupil Services	276
All Other General Administration	78,555
Data Processing Services	14,251
Plant Services	229,372
Total	<u>\$ 3,570,448</u>

**NOTE 7 – GENERAL LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2005 is shown below.

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
General obligation bonds	\$ 73,750,000	\$ -	\$ 790,000	\$ 72,960,000	\$ 1,040,000
Capital leases	253,976	-	123,976	130,000	26,000
Certificates of participation	2,175,000	-	230,000	1,945,000	240,000
Supplementary retirement plan	5,258,148	686,933	5,945,081	-	-
Compensated absences	606,539	34,896	-	641,435	641,435
Totals	<u>\$ 82,043,663</u>	<u>\$ 721,829</u>	<u>\$ 7,089,057</u>	<u>\$ 75,676,435</u>	<u>\$ 1,947,435</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 7 – GENERAL LONG-TERM DEBT**

**A. General Obligation Bonds**

The outstanding bonded debt of Oceanside Unified School District at June 30, 2005 is:

Issue Date	Matutity Date	Interest Rate	Original Issue	Beginning Balance	Issued	Redeemed	Ending Balance
06/15/00	08/01/30	5.0-8.0%	\$ 9,500,000	\$ 9,190,000	\$ -	\$ 145,000	\$ 9,045,000
05/17/01	08/01/31	4.0-7.0%	20,000,000	19,580,000	-	325,000	19,255,000
03/21/02	08/01/32	4.1-7.0%	20,000,000	19,980,000	-	320,000	19,660,000
05/05/04	08/01/33	3.0-5.0%	25,000,000	25,000,000	-	-	25,000,000
			<u>\$ 74,500,000</u>	<u>\$ 73,750,000</u>	<u>\$ -</u>	<u>\$ 790,000</u>	<u>\$ 72,960,000</u>

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2005, are as follows:

Fiscal Year	Principal	Interest	Total
2005-2006	\$ 1,040,000	\$ 3,700,880	\$ 4,740,880
2006-2007	1,360,000	3,637,505	4,997,505
2007-2008	1,445,000	3,565,205	5,010,205
2008-2009	1,505,000	3,484,518	4,989,518
2009-2010	1,580,000	3,394,343	4,974,343
2010-2015	9,135,000	15,664,339	24,799,339
2015-2020	11,480,000	13,327,528	24,717,528
2020-2025	14,600,000	9,949,820	24,549,820
2025-2030	18,580,000	5,690,210	24,270,210
2030-2035	12,235,000	1,013,353	13,248,353
Totals	<u>\$ 72,960,000</u>	<u>\$ 63,337,701</u>	<u>\$ 136,297,701</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 7 – GENERAL LONG-TERM DEBT (continued)**

**B. Capital Leases**

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

<u>Fiscal Year</u>	<u>Lease Payment</u>
2005-2006	\$ 26,000
2006-2007	26,000
2007-2008	26,000
2008-2009	26,000
2009-2010	26,000
Total	<u>130,000</u>
Present Value of Net Minimum Lease Payments	<u>\$ 130,000</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

**C. Certificates of Participation**

On September 9, 1997 the Oceanside Unified School District issued certificates of participation in the amount of \$4,500,000 for the construction of certain improvements through the Oceanside Unified School Facilities Corporation and having stated interest rates ranging from 4.1% to 5.0%. At June 30, 2005 the principal balance outstanding on the certificates was \$1,945,000.

The certificates mature through 2012 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	\$ 240,000	\$ 91,555	\$ 331,555
2006-2007	250,000	80,309	330,309
2007-2008	265,000	68,378	333,378
2008-2009	275,000	55,671	330,671
2009-2010	290,000	42,053	332,053
2010-2012	625,000	39,500	664,500
Totals	<u>\$ 1,945,000</u>	<u>\$ 377,466</u>	<u>\$ 2,322,466</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 8 - OTHER POSTEMPLOYMENT 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 20 years of service. On June 30, 2005, 144 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, 2005, expenditures of \$369,045 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

**NOTE 9 – FUND BALANCES**

The following amounts were designated by the Board of Education as follows:

	General Fund
Economic Uncertainties	\$ 11,915,145
COP Cash with Trustees	421,352
Band Uniforms	12,500
Technology Grant	143,500
One-Time Site Grants	43,226
One-Time District Grants	408
Health and Welfare Reserves	770,107
ERATE Rebate	149,996
Governor Reading	3,457
NCCSE Carryover	209,995
Donations	86,610
Lottery	1,669,242
API Awards	152,019
Other Designations	52,364
Totals	<u>\$ 15,629,921</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 10 – JOINT VENTURES**

The Oceanside Unified School District participates in joint ventures under joint powers agreements (JPA) with the San Diego County Schools Fringe Benefits Consortium (FBC) and San Diego County Schools Risk Management JPA (RM). The relationships between the Oceanside Unified School District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide for health and welfare, medical, workers' compensation, property and liability insurance for member districts. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs. Condensed audited financial information for the year ended June 30, 2004 is as follows:

	<u>FBC</u>	<u>RM</u>
Total Assets	\$ 12,303,895	\$ 42,320,266
Total Liabilities	<u>6,175,323</u>	<u>34,507,824</u>
Fund Equity	<u>\$ 6,128,572</u>	<u>\$ 7,812,442</u>
Total Revenue	\$ 42,836,360	\$ 46,976,340
Total Expenditures	<u>41,993,895</u>	<u>46,809,620</u>
Net Income	<u>\$ 842,465</u>	<u>\$ 166,720</u>

**NOTE 11 – NEW GASB PRONOUNCEMENT**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the Oceanside Unified School District beginning in the 2008-09 fiscal year. The effect of this pronouncement on the financial condition of the District has not been determined.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 12 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 10, is self-insured for dental and vision benefits and purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The General Fund makes payments to the Self-Insurance Fund based actuarial estimates of the amounts needed to pay prior and current claims and establish a liability for incurred but not reported (IBNR) claims. The District has adjusted the outstanding claims payable based on information provided by their claim administrator relating to claims liabilities to bring the total liability for insurance claims at June 30, 2005 to \$174,108.

Changes in the claims payable in fiscal year 2005 and 2004 were as follows:

	2005	2004
Claims payable at beginning of year	\$ 159,828	\$ 150,649
Current year claims and changes in estimates	1,627,386	1,707,054
Claim payments	(1,613,106)	(1,697,875)
Claims payable at end of year	<u>\$ 174,108</u>	<u>\$ 159,828</u>

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review 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.

**Litigation**

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

**Construction Commitments**

As of June 30, 2005, there was \$34.8 million in outstanding construction commitments to construction, engineering and architectural firms related to the new construction and modernization of various school sites.



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 14 - EMPLOYEE RETIREMENT PLANS**

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)

Plan Description and Provisions

**Public Employees' Retirement System (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 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2004-05 was 9.952%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$2,389,410, \$1,648,090, and \$742,681, respectively, which represents 100% of the required contributions for each fiscal year.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 14 - EMPLOYEE RETIREMENT PLANS (continued)**

**State Teachers' Retirement System (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 STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2004-05 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 years ending June 30, 2005, 2004, and 2003 were \$6,929,239, \$6,504,168, and \$6,996,029, respectively, and equal 100% of the required contributions for each year.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of \$3,145,033 to STRS (4.517% of salaries subject to STRS).

**NOTE 15 – SUBSEQUENT EVENTS**

On August 1, 2005, the District received \$25,000,000 in proceeds from the issuance of general obligation bonds, the 2000 Election Series E bonds. The interest rate on the bonds ranges between 3.625% and 5%. The bonds mature over 30 years through August 1, 2034.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Pos (Neg)</b>
<b>Revenues</b>				
Revenue Limit Sources	\$ 103,007,644	\$ 102,960,596	\$ 103,069,752	\$ 109,156
Federal	17,504,091	24,040,706	20,055,910	(3,984,796)
Other State	20,237,511	24,350,696	22,318,107	(2,032,589)
Other Local	9,511,741	10,274,501	10,468,789	194,288
Total Revenues	150,260,987	161,626,499	155,912,558	(5,713,941)
<b>Expenditures</b>				
Certificated Salaries	85,734,558	86,843,519	84,572,678	2,270,841
Classified Salaries	24,424,480	24,631,539	24,356,812	274,727
Employee Benefits	28,108,356	28,572,252	27,833,564	738,688
Books and Supplies	6,398,318	10,193,000	6,552,817	3,640,183
Services and Other Operating Expenditures	12,463,354	17,906,939	16,225,400	1,681,539
Capital Outlay	144,400	214,122	184,966	29,156
Other Outgo	2,146,886	2,146,886	1,911,720	235,166
Direct Support/Indirect Costs	(393,570)	(233,538)	(337,358)	103,820
Total Expenditures	159,026,782	170,274,719	161,300,599	8,974,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,765,795)	(8,648,220)	(5,388,041)	3,260,179
<b>Other Financing Sources and Uses</b>				
Interfund transfers in	-	3,419	3,419	-
Interfund transfers out	(1,445,139)	(845,300)	(845,300)	-
Total Other Financing Sources and Uses	(1,445,139)	(841,881)	(841,881)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,210,934)	(9,490,101)	(6,229,922)	3,260,179
Fund Balances, July 1, 2004	26,564,566	26,564,566	26,564,566	-
Fund Balances, June 30, 2005	\$ 16,353,632	\$ 17,074,465	\$ 20,334,644	\$ 3,260,179

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

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# **SUPPLEMENTARY INFORMATION SECTION**

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**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**History and Organization**  
**June 30, 2005**

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The Oceanside Unified School District was established in 1970. The district boundaries encompass the city of Oceanside, as well as part of Marine Corps Base-Camp Pendleton. There were no changes in the boundaries of the district during the current year. The district provides primary and secondary education for all students within the district boundaries. The district is currently operating twenty-four schools: Challenges Community Day School/Clair W. Burgener Academy, Del Rio Elementary, Ditmar Elementary, El Camino High, Garrison Elementary, Ivey Ranch Elementary, Jefferson Middle, King Middle, Laurel Elementary, Libby Elementary, Lincoln Middle, McAuliffe Elementary, Mission Elementary, Nichols Elementary, North Terrace Elementary, Ocean Shores High, Oceanside High, Pacifica Elementary, Palmquist Elementary, Reynolds Elementary, San Luis Rey Elementary, Santa Margarita Elementary, South Oceanside Elementary, and Stuart Mesa Elementary.

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**GOVERNING BOARD**

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<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Roy Youngblood	President	12-3-08
Emily Ortiz Wichmann	Vice President	12-1-06
Janet Bledsoe Lacy	Member	12-1-06
Lillian Adams	Member	12-1-06
Adrianne Hakes	Member	12-3-08

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**DISTRICT ADMINISTRATORS**

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Kenneth A. Noonan, Superintendent

Larry Perondi, Deputy Superintendent

Robyn Phillips, Associate Superintendent, Business

José Banda, Associate Superintendent, Human Resources

Brian Sullivan, Associate Superintendent, Facilities

Karen Huddleston, Controller

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Average Daily Attendance**  
**Year Ended June 30, 2005**

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>Elementary:</b>		
Kindergarten	1,660	1,652
Grades 1 through 3	5,139	5,103
Grades 4 through 6	4,720	4,688
Grades 7 and 8	2,998	2,969
Home and Hospital	7	7
Special Education	435	438
	<u>14,959</u>	<u>14,857</u>
<b>Secondary:</b>		
Grades 9 Through 12, regular classes	4,595	4,510
Continuation Education	176	173
Home and Hospital	7	7
Special Education	255	254
Opportunity Schools	184	180
	<u>5,217</u>	<u>5,124</u>
<b>Classes for Adults:</b>		
Not Concurrently Enrolled	40	44
	<u>40</u>	<u>44</u>
<b>Total Average Daily Attendance</b>	<u>20,216</u>	<u>20,025</u>
	<u>Hours of Attendance</u>	
<u>Supplemental Instruction Hours</u>		
Elementary	86,445	
Secondary	215,106	

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**  
**June 30, 2005**

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Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2004-2005 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergaren	36,000	36,000	36,000	180	Complied
Grades 1 through 3	45,000	50,400	53,125	180	Complied
Grades 4 through 6	50,000	54,000	54,495	180	Complied
Grades 7 through 8	55,000	54,000	64,560	180	Complied
Grades 9 through 12	61,300	64,800	64,883	180	Complied

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Financial Trends and Analysis**  
**Year Ended June 30, 2005**

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General Fund	(Budget) 2006***	2005	2004	2003
Revenues and other financing sources	\$ 154,678,075	\$ 155,915,977	\$ 148,796,087	\$ 152,926,594
Expenditures, other uses and transfers out	158,190,445	162,145,899	151,056,983	157,851,659
Change in fund balance (deficit)	(3,512,370)	(6,229,922)	(2,260,896)	(4,925,065)
Ending fund balance	\$ 16,822,274	\$ 20,334,644	\$ 26,564,566	\$ 28,825,462
Available reserves*	\$ 8,718,711	\$ 11,915,145	\$ 23,020,770	\$ 22,134,042
Available reserves as a percentage of total outgo	5.5%	7.3%	15.2%	14.0%
Total long-term debt	\$ 73,729,000	\$ 75,676,435	\$ 82,043,663	\$ 59,579,354
Average daily attendance at P-2**	19,866	20,176	20,671	20,984

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 General Fund balance has decreased by \$8,490,818 over the past two years. The fiscal year 2005-06 adopted budget projects a decrease of \$3,512,370. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

\* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund or Special Reserve Fund (Other than Capital Outlay).

\*\*Excludes Adult Education ADA.

\*\*\* Adopted September 2005.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2005**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S.Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
Needy School Breakfast	10.553	13526	\$ 658,097
National School Lunch	10.555	13523	3,055,220
Summer Food Service	10.559	13004	39,301
Total U.S.Department of Agriculture			<u>3,752,618</u>
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
Impact Aid - P.L. 81.874	84.041	n/a	\$ 5,937,362
No Child Left Behind Act (NCLB)			
Title I - Grants to Local Educational Agencies, Part A	84.010	13797	6,456,387
Title I - Achieving Schools Award	84.010	14429	75,000
Title I - Capital Expenditures	84.216	13953	210,831
Title II - Enhancing Education Through Technology	84.318	14334	32,930
Title II - Part A Impr Teacher Quality	84.367	14341	1,463,032
Title III - Immigrant Ed	84.365	14346	38,621
Title III - Limited English Proficiency	84.365	10084	528,996
Title IV - Safe and Drug Free Schools	84.186	14347	131,359
Title V - Part A, Innovative Education Strategies	84.298	14354	207,279
Vocational Education	84.048	13924	210,637
Migrant Education	84.011	13239	207,008
Migrant Education - Even Start	84.214	13239	45,000
Adult Basic Education Act:			
Adult Secondary Education	84.002	13978	10,542
English Literacy and Civics Education	84.002A	14109	23,147
ESL Citizenship	84.002	13974	17,009
21st Century Community Learning	84.287	14349	231,580
Individuals with Disabilities Education Act (IDEA):			
Preschool Grants	84.173	13430	365,874
Preschool Staff Development	84.173	13431	2,142
Basic Local Assistance Entitlement	84.027	13379	3,125,984
Low incidence			3,574
Local Staff Development	84.027	13613	7,972
Total U.S.Department of Education			<u>19,332,266</u>
U.S. Department of Defense			
Department of Defense Grant	12.116	n/a	<u>638,416</u>
U.S. Department of Health & Human Services:			
Passed through California Dept of Health Services:			
Medi-Cal Billing Options	93.778	10013	70,251
Child Dev Quality Improvement	93.575	14130	3,891
CDD Infant/Toddler CC Research	93.575	13942	2,046
Total U.S. Department of Health & Human Services			<u>76,188</u>
Total Expenditures of Federal Awards			<u>\$ 23,799,488</u>

The accompanying notes are an integral part of this schedule.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2005**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oceanside 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 financial statements.

**NOTE 2 – SUBRECIPIENTS**

Of the federal awards presented in the schedule, Oceanside Unified School District provided no federal awards to subrecipients.

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**  
**Year Ended June 30, 2005**

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This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance as reported on the Unaudited Actuals to the audited financial statements.

*There were no differences between the annual financial and budget report and the audited financial statements.*

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Charter Schools**  
**Year Ended June 30, 2005**

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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

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# **OTHER INDEPENDENT AUDITORS' REPORTS**

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Board of Trustees  
Oceanside Unified School District  
Oceanside, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of Oceanside Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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 operations that we consider to be material weaknesses.

### Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Nigro Nigro & White, PC".

San Diego, California  
November 10, 2005



Board of Trustees  
Oceanside Unified School District  
Oceanside, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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, 2005. Oceanside Unified School District's major federal programs are identified in the summary of auditors' 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; 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.

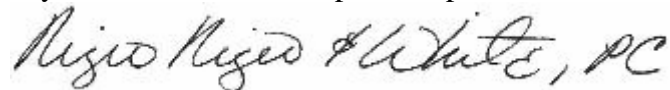
In our opinion, Oceanside Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### 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 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 the applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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 consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Nigro Nigro & White, PC".

San Diego, California  
November 10, 2005

Board of Trustees  
Oceanside Unified School District  
Oceanside, California

### **AUDITORS' REPORT ON STATE COMPLIANCE**

We have audited the basic financial statements of the Oceanside Unified School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. Our audit was made in accordance with auditing standards generally accepted; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2004-05*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures in the Audit Guide	Procedures Performed
Attendance Reporting	8	Yes
Kindergarten Continuation	3	Yes
Independent Study	22	No (see below)
Continuation Education	10	Yes
Adult Education	9	No (see below)
Regional Occupation Center/Programs	6	Not applicable
Instructional Time and Staff Development Reform Program	7	Yes

Description	Procedures in the Audit Guide	Procedures Performed
Instructional Time:		
School Districts	4	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Not applicable
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
Instructional Materials:		
General Requirements	12	Yes
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
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Not applicable
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	No (see below)

We were unable to test the School Accountability Report Cards because the School Accountability Report Cards had been prepared prior to the required implementation date of the Williams Act. We did not perform tests of Independent Study and Adult Education because the ADA report was immaterial.

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

This report is intended solely for the information and use of the Board, 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.

*Rigto Rigto & White, PC*

San Diego, California  
November 10, 2005

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# **FINDINGS AND QUESTIONED COSTS**

## **SECTION**

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**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2005**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u><b>CFDA Numbers</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
<u>84.041</u>	<u>Impact Aid - P.L. 874</u>
<u>12.116</u>	<u>Department of Defense Grant</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 713,985</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for state programs:	<u>Unqualified</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2005**

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**Section II – Financial Statement Findings**

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following six categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
50000	Federal Compliance
60000	Miscellaneous

***There were no financial statement findings.***

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2005**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no audit findings and questioned costs related to federal awards during 2004-05.*



**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**June 30, 2005**

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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no audit findings and questioned costs related to state awards during 2004-05.*

**OCEANSIDE UNIFIED SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2005**

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>2004-01</i>	The District has been deficit spending for the past three years and projects additional deficit spending.	30000	Monitor the budget and make necessary budget adjustments to maintain minimum recommended reserve levels.	Implemented.
<i>2004-02</i>	Instructional Time and Staff Development Days were over-reported due to clerical errors.	40000	Amend the Consolidated Application for the over-reported days.	Implemented.