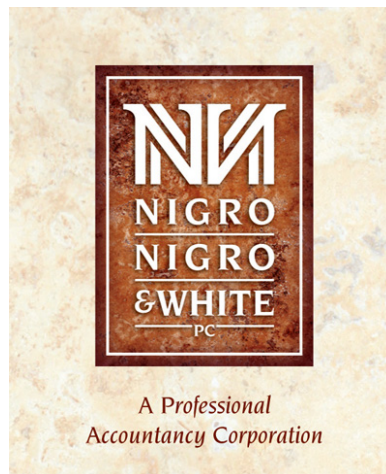


OCEANSIDE UNIFIED SCHOOL DISTRICT

**OCEANSIDE, CALIFORNIA
COUNTY OF SAN DIEGO**

AUDIT REPORT

June 30, 2007



OCEANSIDE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2007

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OCEANSIDE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2007

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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, 2007, 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 of America. 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 Unified School District as of June 30, 2007, and the respective changes in financial position, and cash flows, where applicable, 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 December 10, 2007 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 13 and budgetary comparison information on page 48 is supplementary information required by the Governmental Accounting Standards Board. 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 accompanying financial and statistical 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 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 dark ink, reading "Nijio Nijio White, PC". The signature is written in a cursive, flowing style.

San Diego, California
December 10, 2007

Management's Discussion and Analysis



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

Kenneth A. Noonan, Superintendent

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

June 30, 2007

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, 2007.

FINANCIAL HIGHLIGHTS

- General Fund revenues exceeded expenditures by \$1.9 million in 2006-07, leaving an ending balance of \$26.98 million.
- The district continued to maintain ample reserves, with \$10.42 million designated for economic uncertainties at year-end. This represents 6.1% of total budget, compared to the 3% minimum required by the state.
- Student enrollment continued to decline with a drop of 185 ADA over the prior year.
- Construction was completed on the new Louise Foussat Elementary School which opened at the start of the school year in 2007, and continued on the new Cesar Chavez Middle School scheduled to open during the 2007-08 school year. Major field restoration was completed at Oceanside High School as well as modernization of the gymnasium. Additionally, modernization projects were completed at Jefferson Middle School on classrooms and a locker/shower facility. Total capital outlay for facility construction came to \$27.2 million for the 2006-07 fiscal year.
- District long-term liabilities increased to \$122.91 million, the majority of this debt being the repayment of general obligation bonds for facility construction.
- Overall, net assets increased by \$6.24 million for the district.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

Management Discussion and Analysis

The Management 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 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 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 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. 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, 2007

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

Table 1 shows that district assets totaled \$268.1 million as of June 30, 2007. Cash deposits with the County Treasury represent a significant component of district assets at \$54.9 million. Facilities represent the largest component, with buildings valued at \$169 million, plus an additional \$32.9 million for facilities under construction (work in progress). Land plus site improvements are valued at \$24.1 million and equipment at \$16 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 \$132.2 million on June 30, 2007. General obligation bond debt issued for facility construction and modernization constitutes the majority. This year the district issued the final release of the \$125 million in GO bonds authorized by voters in 2000. Other long-term liabilities include \$1.1 million in outstanding obligations for Certificates of Participation (COPs) and capital leases

Overall, net assets of the Oceanside Unified School District were determined to be \$135.8 on June 30, 2007. This represents an *increase* of \$6.2 million over the course of the year (Table 2). The increase in net assets is a reflection of bond proceeds and the construction and modernization of facilities within the district.

Table 1 -- Net Assets

	June 30, 2006	June 30, 2007
Assets		
Current Assets:		
Cash	\$54,327,049	54,869,707
Other	13,483,567	15,601,028
Capital Assets:		
Land	16,904,564	16,718,461
Improvement of Sites	6,396,559	7,383,349
Buildings	131,746,875	169,029,499
Equipment	13,193,234	16,044,359
Work in Progress	49,101,236	32,938,750
Less Accumulated Depreciation	(41,529,993)	(44,533,111)
Total Assets	\$243,623,091	268,052,040
Liabilities		
Current Liabilities	14,672,811	9,318,240
Long-Term Liabilities	99,374,557	122,914,442
Total Liabilities	\$114,047,368	132,232,680
Net Assets	\$129,575,723	135,819,360

Table 2 -- Change in Net Assets

	2005-06	2006-07
Beginning Net Assets	\$108,523,820	\$129,575,723
Ending Net Assets	<u>129,575,723</u>	<u>135,819,360</u>
Change in Net Assets	\$21,051,903	\$6,243,637

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

Governmental Activities

Overall, the district expended \$185.8 million in 2006-07, whereas revenues totaled \$191.9 million. This represents a \$13.1 million increase in expenditures from the prior year, mostly related to bus purchases and construction costs.

Table 3 shows that expense related to educating and caring for children account for 81% of total district expenditures. Facilities-related costs account for 11%, while purely administrative costs account for about 5% of total expense.

Table 3 -- Governmental Activities		
	2005-06	2006-07
Expenditures		
Instruction	\$104,479,195	\$111,163,725
Instruction-Related Services	16,975,839	19,105,816
Student Support Services	17,969,007	19,698,679
Maintenance and Operations	18,113,105	
Administration	7,440,471	9,479,840
Interest on Long-Term Debt	5,359,619	2,961,455
Miscellaneous	<u>2,369,195</u>	<u>2,711,370</u>
Total Expenditures	\$172,706,431	\$185,763,960
Revenues		
Program Revenues:		
Charges for Services	\$3,265,357	\$4,924,052
Grants and Contributions	44,061,223	48,179,332
General Revenues:		
Taxes Levied for General Purposes	41,861,001	42,231,708
Taxes Levied for Debt Services	6,412,850	8,159,842
State and Federal Unrestricted Aid	78,704,051	83,970,975
Interest and Investment Earnings	1,366,153	1,758,472
Miscellaneous	<u>3,673,324</u>	<u>2,666,474</u>
Total Revenues	\$179,343,959	\$191,890,855

Total revenue for 2006-07 was \$191.9 million, an increase of \$12.6 million over the prior year. Users of district programs contributed a portion of this revenue, primarily from cafeteria food sales. The federal and state governments supported certain programs with grants and contributions totaling \$48.2 million. Interest and investment earnings generated \$1.8 million. State and local taxpayers, however, paid most of the cost.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

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 \$172 million for 2006-07, an increase of 7.1% from the prior year. General Fund expenditures plus transfers totaled \$170.5 million, an increase of 9.1%. Employee salaries and benefits jointly comprise the largest share of expenditures at 84.0%, and are the most rapidly growing component.

The \$27.0 million ending balance at June 30, 2007, included \$10.4 million reserves designated for economic uncertainty, representing more than double the minimum 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 slightly over \$200,000.
- The *Deferred Maintenance Fund* is used to account separately for state apportionments and district contributions for deferred maintenance purposes. The district completed projects totaling \$3.1 million for painting, heating and ventilation, asphalt repair, flooring and roofing, and ended the year with a balance of \$1.7 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, 2007

Capital Projects Funds

- The *Building Fund* accounts for the construction of capital facilities and buildings from the sale of bond proceeds. General Obligation bonds of \$25 million were issued during the year, and along with a carryover balance of \$9.7 million from the previous year plus interest of \$1.2 million provided funding for projects at Jefferson Middle School, El Camino High School and Oceanside High School, as well as construction of a new elementary and middle school and planning for a new performing arts center at Oceanside High School. Expenditures for facility construction totaled \$18.7 million for the year, in accordance with the Facility Master Plan adopted in 2000.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees. This year local construction activity generated fee revenue of \$1.4 million, which is earmarked for facilities to accommodate enrollment growth. \$1.5 million was expended this year, primarily for leasing modular classrooms.
- The *County School Facilities Fund* was established to receive apportionments from the State School Facilities Fund for new facility construction and modernization projects. While no new money was received in 2006-07, funds remaining from previous allocations allowed the district to expend \$4.3 million toward construction of the new Cesar Chavez Middle 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 \$1.1 million are sufficient to cover district liabilities.

Fiduciary Funds

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2006-2007 the district invested \$27.2 million in capital assets, mostly for facility construction and modernization funded from local and state bond proceeds. Construction was completed on the new Louise Foussat Elementary School which opened at the start of the school year in 2007, and continued on the new Cesar Chavez Middle School, scheduled to open during the 2007-08 school year. Oceanside High School saw many improvements including major field restoration, modernization of the gymnasium and planning for a new performing arts center. Additionally, modernization projects were completed at Jefferson Middle School on classrooms and a locker/shower facility and planning for modernization work began at El Camino High School.

Long-term Debt

The district paid \$2 million in debt service during the year for repayment of COP obligations, bond redemptions and capital leases. New bonds of \$25 million were issued during the year for the construction of capital facilities and buildings. On net, total debt increased \$23 million during 2006-07.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

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 \$10.4 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.

From the mid-1990s through 2000-01, revenue exceeded expenditures due to a booming state economy and ambitious programs to reduce class size and expand accountability.

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.

The economy took a downturn after 2001-02 that translated into funding cuts for California schools during the first half of the decade. Budget problems were compounded for the district when student enrollment began to decline in 2002-03. In response, Oceanside Unified judiciously drew down reserves and made \$21 million in budget cuts and through fiscal restraint the district succeeded in restoring a balanced budget in 2005-06. The district continued these efforts in 2006-07 to maintain a balanced budget and realized an overall net gain in the fund balance by the yearend of \$1.9 million. While the unrestricted budget showed a reduction of \$2.2 million, these costs were one time expenditures necessary to replace aging school buses, to fund the opening of two new schools and to open academic recovery centers at three high schools.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

Figure 1

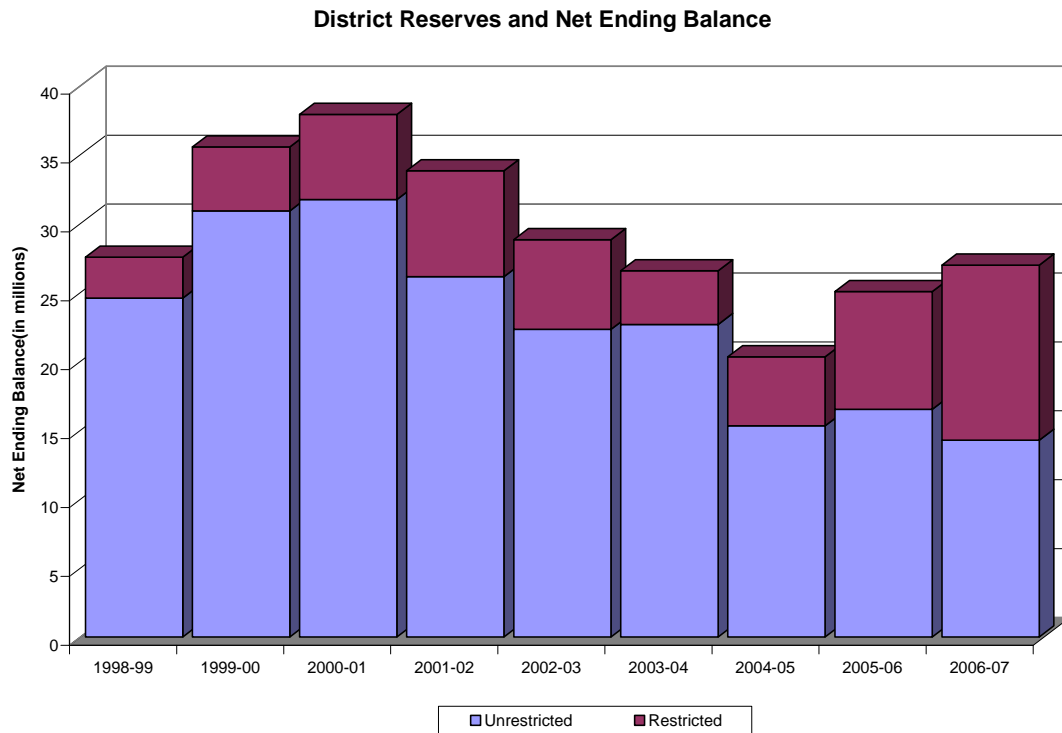
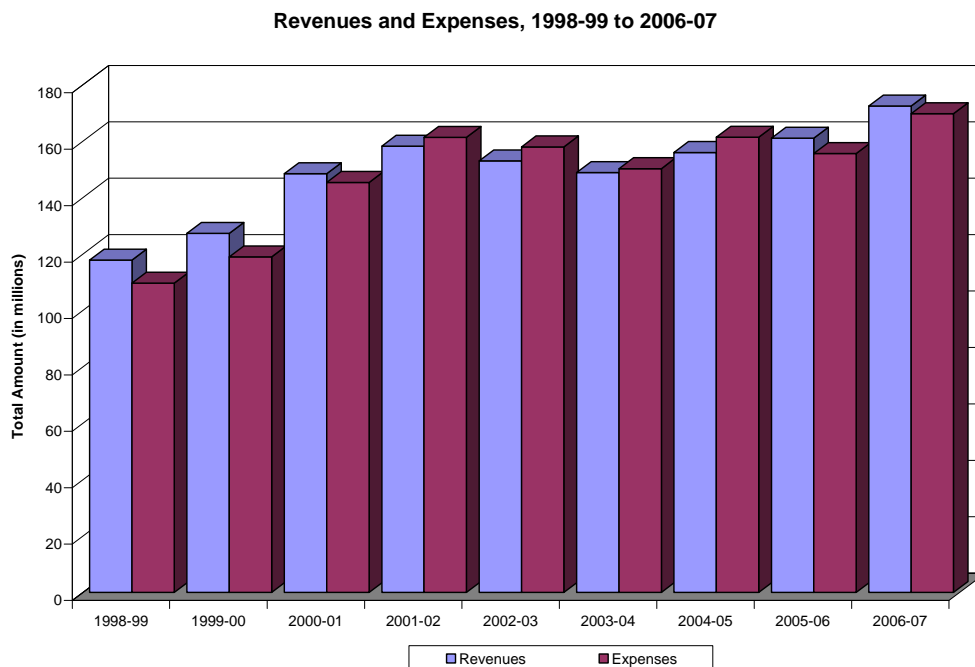
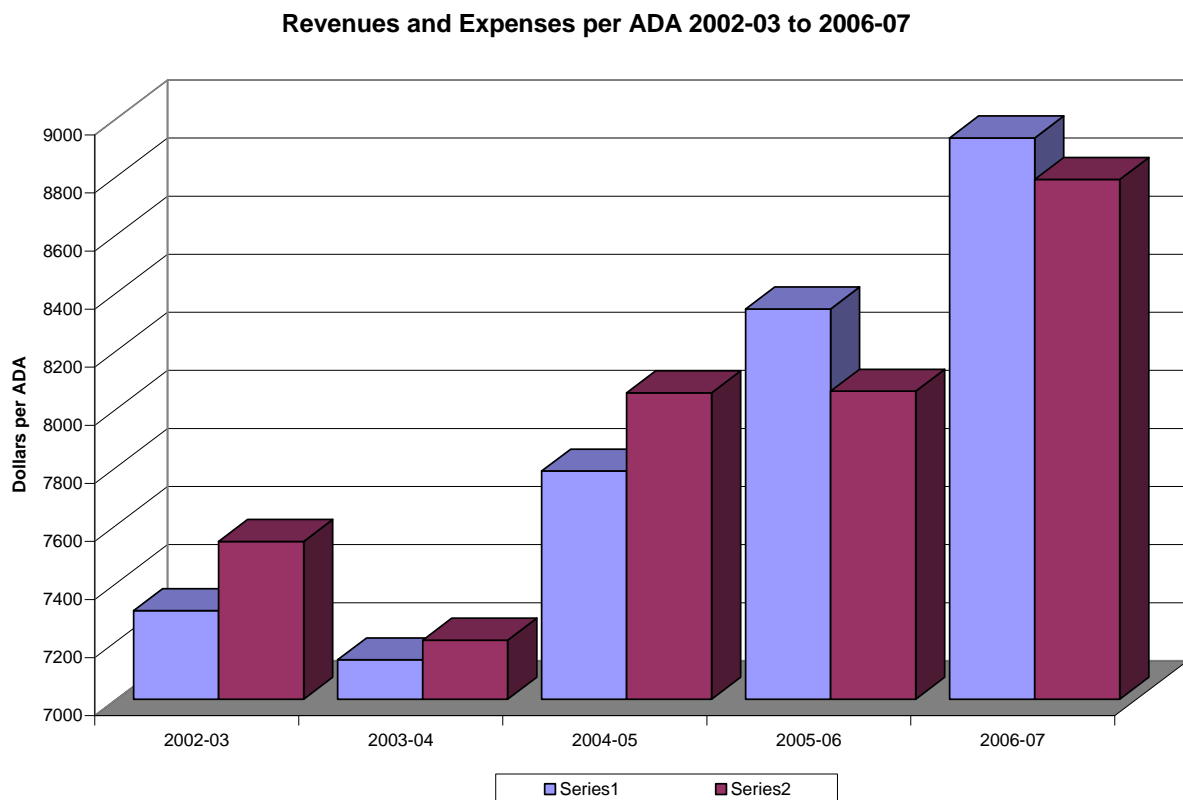


Figure 2



OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

Figure 3



State funding for K-12 schools improved substantially for 2005-06, thereby allowing the district to restore some of the cuts made over the past five years. Expenditures in 2006-07 reflect one-time expenses to equip and open two schools, replace aging school buses and launch new academic recovery programs at the high schools; however, ongoing expenses are balanced with ongoing revenue.

Looking to the future, the Oceanside Unified School District faces the financial challenge of covering the cost of employee salaries and benefits and other fixed costs that are outpacing state funding increases, and absorbing the cost of opening two new schools in the context of continued enrollment loss. However, the leadership team and governing board remain committed to maintaining the fiscal health of the district.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

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, please contact the District Business Office at 2111 Mission Ave., Oceanside, California 92054-2326.

Financial Section

OCEANSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

	Total Governmental Activities
ASSETS	
Cash	\$ 54,869,707
Accounts receivable	14,354,577
Stores	270,552
Prepaid expenses	975,897
Capital assets:	
Land	16,718,461
Improvement of sites	7,383,349
Buildings	169,029,499
Furniture and equipment	16,044,359
Work in progress	32,938,751
Less accumulated depreciation	(44,533,112)
Total capital assets, net of depreciation	197,581,307
Total assets	<u>\$ 268,052,040</u>
LIABILITIES	
Accounts payable and current liabilities	\$ 8,518,227
Deferred revenues	800,011
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds payable	2,245,000
Certificates of participation payable	265,000
Capital leases payable	26,000
Portion due or payable after one year:	
General obligation bonds payable	118,450,000
Certificates of participation payable	1,190,000
Compensated absences payable	686,442
Capital leases payable	52,000
Total liabilities	<u>132,232,680</u>
NET ASSETS	
Invested in capital assets, net of related debt	92,853,725
Restricted for:	
Capital projects	(17,500,418)
Debt service	6,172,525
Educational programs	12,346,858
Unrestricted	<u>41,946,670</u>
Total Net Assets	<u><u>\$ 135,819,360</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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
					Governmental
					Activities
Instructional Services:					
Instruction	\$ 111,163,725	\$ 1,223,430	\$ 27,603,051	\$ 116,741	\$ (82,220,503)
Instruction-Related Services:					
Supervision of instruction	4,373,528	367,408	3,315,233	-	(690,887)
Instructional library, media and technology	2,028,383	-	453,412	-	(1,574,971)
School site administration	12,703,905	48,867	3,916,341	-	(8,738,697)
Pupil Support Services:					
Home-to-school transportation	5,856,765	9,490	3,162,949	-	(2,684,326)
Food services	5,918,212	1,882,443	4,102,935	-	67,166
All other pupil services	7,923,702	31,732	3,009,628	-	(4,882,342)
General Administration Services:					
Data processing services	762,978	-	-	-	(762,978)
Other general administration	8,716,862	172,589	825,579	-	(7,718,694)
Plant services	20,643,075	1,167,290	1,504,908	-	(17,970,877)
Community services	261,753	3,598	210,265	-	(47,890)
Ancillary services	184,539	-	-	-	(184,539)
Interest on long-term debt	2,961,455	-	-	-	(2,961,455)
Other outgo	2,265,078	17,206	75,031	-	(2,172,841)
Total Governmental Activities	<u>\$ 185,763,960</u>	<u>\$ 4,924,053</u>	<u>\$ 48,179,332</u>	<u>\$ 116,741</u>	<u>\$ (132,543,834)</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes	42,231,708
Property taxes, for debt services	8,159,842
Property taxes, levied for other specific purposes	(1,335)

Federal and state aid not restricted:

to specific purpose	83,970,975
---------------------	------------

Interest and investment earnings

	1,758,472
--	-----------

Miscellaneous

	2,667,809
--	-----------

Total general revenues

138,787,471

Change in net assets

6,243,637

Net assets - July 1, 2006

129,575,723

Net assets - June 30, 2007

\$ 135,819,360

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2007

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 22,821,387	\$ 18,564,162	\$ 12,402,049	\$ 53,787,598
Stores inventory	56,330	-	214,222	270,552
Accounts receivable	12,725,482	293,868	1,322,133	14,341,483
Due from other funds	147,785	8,306	1,479,889	1,635,980
Prepaid expenses	128,000	-	-	128,000
Total Assets	<u>\$ 35,878,984</u>	<u>\$ 18,866,336</u>	<u>\$ 15,418,293</u>	<u>\$ 70,163,613</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,108,108	\$ 876,457	\$ 533,662	\$ 8,518,227
Due to other funds	990,505	489,461	156,014	1,635,980
Deferred revenue	800,011	-	-	800,011
Total Liabilities	<u>8,898,624</u>	<u>1,365,918</u>	<u>689,676</u>	<u>10,954,218</u>
Fund Balances				
Reserved for:				
Revolving cash	80,000	-	10,000	90,000
Inventories	56,330	-	214,222	270,552
Prepaid expenses	128,000	-	-	128,000
Categorical programs	12,227,560	-	119,298	12,346,858
Debt service funds	-	-	6,172,525	6,172,525
Unreserved, reported in:				
General fund	14,488,470	-	-	14,488,470
Capital projects funds	-	17,500,418	4,954,741	22,455,159
Special revenue funds	-	-	3,257,831	3,257,831
Total Fund Balances	<u>26,980,360</u>	<u>17,500,418</u>	<u>14,728,617</u>	<u>59,209,395</u>
Total Liabilities and Fund Balances	<u>\$ 35,878,984</u>	<u>\$ 18,866,336</u>	<u>\$ 15,418,293</u>	<u>\$ 70,163,613</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, 2007

Total fund balances - governmental funds \$ 59,209,395

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 \$242,114,419 and the accumulated depreciation is \$44,533,112. 197,581,307

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: 847,897

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	120,695,000	
Compensated absences	686,442	
Certificates of participation payable	1,455,000	
Capital leases payable	78,000	
		(122,914,442)

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: 1,095,203

Total net assets - governmental activities \$ 135,819,360

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, 2007

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
REVENUES				
General Revenues:				
Property taxes	\$ 42,231,708	\$ -	\$ 8,158,507	\$ 50,390,215
Federal and state aid not restricted to specific purpose	83,970,975	-	-	83,970,975
Earnings on investments	1,368,090	-	390,382	1,758,472
Miscellaneous	1,493,398	-	1,174,411	2,667,809
Program Revenues:				
Charges for services	2,947,599	-	1,976,454	4,924,053
Operating grants and contributions	40,387,503	1,241,187	6,550,642	48,179,332
Capital grants and contributions	-	-	116,741	116,741
Total revenues	172,399,273	1,241,187	18,367,137	192,007,597
EXPENDITURES				
Instructional Services:				
Instruction	106,969,511	-	986,762	107,956,273
Instruction-Related Services:				
Supervision of instruction	4,194,424	-	194,931	4,389,355
Instructional library, media and technology	1,991,358	-	-	1,991,358
School site administration	12,570,624	-	-	12,570,624
Pupil Support Services:				
Home-to-school transportation	7,833,403	-	-	7,833,403
Food services	1,441	-	5,951,089	5,952,530
All other pupil services	7,922,255	-	7,643	7,929,898
General Administration Services:				
Data processing services	783,348	-	-	783,348
Other general administration	6,841,764	-	399,257	7,241,021
Plant services	17,327,375	-	3,278,101	20,605,476
Facility acquisition and construction	387,502	18,620,492	5,737,141	24,745,135
Ancillary services	184,539	-	-	184,539
Community services	261,753	-	-	261,753
Other outgo:				
Transfers between agencies	2,010,078	-	-	2,010,078
Debt service - principal	276,000	-	1,725,000	2,001,000
Debt service - interest	80,309	-	5,385,774	5,466,083
Debt Service - issuance costs and discounts	1,325	132,455	-	133,780
Total Expenditures	169,637,009	18,752,947	23,665,698	212,055,654
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,762,264	(17,511,760)	(5,298,561)	(20,048,057)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	845,300	845,300
Interfund transfers out	(845,300)	-	-	(845,300)
Proceeds from long-term debt	-	25,245,000	-	25,245,000
Total Other Financing Sources and Uses	(845,300)	25,245,000	845,300	25,245,000
Net Change in Fund Balances	1,916,964	7,733,240	(4,453,261)	5,196,943
Fund Balance, July 1, 2006	25,063,396	9,767,178	19,181,878	54,012,452
Fund Balances, June 30, 2007	\$ 26,980,360	\$ 17,500,418	\$ 14,728,617	\$ 59,209,395

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, 2007

Total net change in fund balances - governmental funds	\$ 5,196,943
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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 \$27,387,996 exceed depreciation expense (\$3,991,190) in the period.	23,396,806
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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:	2,001,000
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Debt proceeds: In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:	(25,245,000)
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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:	133,780
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Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(1,627,975)
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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:	2,249,626
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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:	(40,885)
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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 decrease in internal service funds was:	179,342
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Change in net assets of governmental activities	\$ 6,243,637
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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, 2007

		Governmental Activities: Self-Insurance Fund
ASSETS		
Cash	\$	1,082,109
Accounts receivable		13,094
Total Assets	\$	1,095,203
NET ASSETS		
Unrestricted		1,095,203
Total Net Assets	\$	1,095,203

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, 2007

	Governmental Activities: Self-Insurance Fund
	<hr/>
OPERATING REVENUES	
Contributions from other funds	\$ 2,034,589
	<hr/>
Total Operating Revenues	2,034,589
	<hr/>
OPERATING EXPENSES	
Insurance expense	1,897,413
	<hr/>
Total Operating Expenses	1,897,413
	<hr/>
Operating Income (Loss)	137,176
	<hr/>
NON-OPERATING REVENUES	
Interest income	42,166
	<hr/>
Total Non-Operating Revenues	42,166
	<hr/>
Change in net assets	179,342
	<hr/>
Net Assets, July 1, 2006	915,861
	<hr/>
Net Assets, June 30, 2007	\$ 1,095,203
	<hr/> <hr/>

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, 2007

	Governmental Activities: Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 2,006,190
Cash payments for insurance expenses	(1,854,514)
	<hr/>
Net cash provided by operating activities	151,676
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	37,110
	<hr/>
Net cash provided by investing activities	37,110
	<hr/>
Net increase in cash	188,786
	<hr/>
Cash, July 1, 2006	893,323
	<hr/>
Cash, June 30, 2007	\$ 1,082,109
	<hr/> <hr/>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 137,176
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in internal activity	(28,399)
Decrease in prepaid expenses	202,681
Decrease in claims payable	(159,782)
	<hr/>
Net cash used by operating activities	\$ 151,676
	<hr/> <hr/>

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets – Agency Funds
June 30, 2007

	Student Body Funds
Assets	
Cash	\$ 563,974
Accounts Receivable	7,689
Inventory	38,175
Total Assets	\$ 609,838
Liabilities	
Accounts Payable	\$ 105,154
Due to Student Groups	504,684
Total Liabilities	\$ 609,838

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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, 2007

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 non-fiduciary activities of the district.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the 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, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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. 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, 2007

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. 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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 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 and entitlements 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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 or expenses, as appropriate. 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, and fiduciary funds as follows:

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 bond proceeds.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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 projects 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.

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 non-major 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.

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. 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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. It is the original and final revised budget that is 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.

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. 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.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

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. 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	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 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.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

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.

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. 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prescribed 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.

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. Because the District's local property tax revenue exceeds its total base revenue limit, the District receives from the state General Fund only an amount known as "basic aid". The basic aid entitlement is equal to amounts for various other supplemental instructional programs.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

	Governmental Funds	Proprietary Fund	Fiduciary Fund
Cash:			
Cash in county treasury	\$ 53,145,463	\$ 1,082,109	\$ -
Cash on hand and in banks	212,179	-	563,974
Cash in revolving fund	90,000	-	-
Cash with fiscal agent	339,956	-	-
	<hr/>	<hr/>	<hr/>
Total Cash	<u>\$ 53,787,598</u>	<u>\$ 1,082,109</u>	<u>\$ 563,974</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

Cash with Fiscal Agent – The District has short-term cash equivalent investments held with the Bank of New York Trust Department for the Certificates of Participation facilities financing.

OCEANSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the San Diego County Investment Pool with a fair value of approximately \$54,176,058 and an amortized book value of \$54,227,572. The average weighted maturity for this pool is 171 days. In addition, the District maintains investments in JP Morgan money market funds with an amortized cost of \$339,955. Fair value for this investment approximates amortized cost.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Diego County Investment Pool is rated AAA by Moody's Investor Service. The investment with JP Morgan money market funds is rated AAA by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2007, \$435,579 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007 consist of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	Totals	Fiduciary Fund
Federal Government:						
Federal programs	\$ 2,152,211	\$ -	\$ 1,074,061	\$ -	\$ 3,226,272	\$ -
State Government:						
Revenue limit	4,619,370	-	-	-	4,619,370	-
State programs	3,125,525	-	190,282	-	3,315,807	-
Lottery	1,500,289	-	-	-	1,500,289	-
Local:						
Other	871,449	31,404	-	-	902,853	7,689
Interest	456,638	262,464	57,790	13,094	789,986	-
Totals	<u>\$ 12,725,482</u>	<u>\$ 293,868</u>	<u>\$ 1,322,133</u>	<u>\$ 13,094</u>	<u>\$ 14,354,577</u>	<u>\$ 7,689</u>

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2007 is shown below:

	Beginning Balance July 1, 2006	Additions	Disposals	Ending Balance June 30, 2007
Land	\$ 16,904,564	\$ -	\$ 186,103	\$ 16,718,461
Land improvements	6,396,559	1,003,990	17,200	7,383,349
Buildings and improvements	131,746,876	38,298,191	1,015,568	169,029,499
Furniture and equipment	13,193,234	3,025,906	174,781	16,044,359
Work in progress	49,101,236	24,253,527	40,416,012	32,938,751
Total at historical cost	<u>217,342,469</u>	<u>66,581,614</u>	<u>41,809,664</u>	<u>242,114,419</u>
Less accumulated depreciation:				
Site improvements	3,681,048	223,063	24,114	3,879,997
Buildings and improvements	27,379,198	2,741,058	561,711	29,558,545
Furniture and equipment	10,469,748	1,027,069	402,247	11,094,570
Total accumulated depreciation	<u>41,529,994</u>	<u>3,991,190</u>	<u>988,072</u>	<u>44,533,112</u>
Governmental activities capital assets, net	<u>\$ 175,812,475</u>	<u>\$ 62,590,424</u>	<u>\$ 40,821,592</u>	<u>\$ 197,581,307</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (continued)

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

Instruction	\$ 3,311,316
Supervision of Instruction	913
Instructional Library, Media and Technology	35,634
School Site Administration	144,921
Home-to-School Transportation	97,459
Food Services	40,496
All Other Pupil Services	308
All Other General Administration	87,812
Data Processing Services	15,930
Plant Services	<u>256,401</u>
Total	<u><u>\$ 3,991,190</u></u>

NOTE 5 - INTERFUND ACTIVITIES

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 5 - INTERFUND ACTIVITIES (continued)

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances as of June 30, 2007 are as follows:

	Due To Other Funds			Total
	General Fund	Building Fund	Other Governmental Funds	
General Fund	\$ -	\$ 1,608	\$ 146,177	\$ 147,785
Building Fund	8,306	-	-	8,306
Other Governmental Funds	982,199	487,853	9,837	1,479,889
Total	<u>\$ 990,505</u>	<u>\$ 489,461</u>	<u>\$ 156,014</u>	<u>\$ 1,635,980</u>

General Fund due to Child Development Fund for indirect charges.	\$ 8,985
General Fund due to Cafeteria Fund for revenue received	13,349
General Fund due to Deferred Maintenance Fund for contribution-state match	959,865
General Fund due to Building Fund for clerical expenses	8,306
Adult Education Fund due to General Fund for indirect charges	14,356
Child Development Fund due to General Fund for preschool rent	33,795
Child Development Fund due to Cafeteria Fund for cafeteria sales	9,837
Cafeteria Fund due to General Fund for PERS reduction expenses and indirect costs	65,961
Building Fund due to General Fund for PERS reduction expenses	1,608
Building Fund due to Capital Facilities Fund for incorrect posting entry	487,853
Capital Facilities Fund due to General Fund for clerical expenses	32,065
Total	<u>\$ 1,635,980</u>

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 2006-07 fiscal year consisted of \$845,300 transferred from the General Fund to the Deferred Maintenance Fund for the State required match.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 6 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2007 is shown below:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
General obligation bonds	\$ 96,920,000	\$ 25,500,000	\$ 1,725,000	\$ 120,695,000	\$ 2,245,000
Capital leases	104,000	-	26,000	78,000	26,000
Certificates of participation	1,705,000	-	250,000	1,455,000	265,000
Compensated absences	645,557	40,885	-	686,442	-
Totals	<u>\$ 99,374,557</u>	<u>\$ 25,540,885</u>	<u>\$ 2,001,000</u>	<u>\$ 122,914,442</u>	<u>\$ 2,536,000</u>

A. General Obligation Bonds

The outstanding bonded debt of Oceanside Unified School District at June 30, 2007 is:

Issue Date	Maturity Date	Interest Rate	Original Issue	Beginning Balance	Issued	Redeemed	Ending Balance
06/15/00	08/01/30	5.0-8.0%	\$ 9,500,000	\$ 8,890,000	\$ -	\$ 160,000	\$ 8,730,000
05/17/01	08/01/31	4.0-7.0%	20,000,000	18,910,000	-	365,000	18,545,000
03/21/02	08/01/32	4.1-7.0%	20,000,000	19,315,000	-	370,000	18,945,000
05/05/04	08/01/33	3.0-5.0%	25,000,000	24,805,000	-	465,000	24,340,000
06/22/05	08/01/04	3.0-5.0%	25,000,000	25,000,000	-	365,000	24,635,000
06/20/06	08/01/35	4.0-7.0%	25,500,000	-	25,500,000	-	25,500,000
			<u>\$ 125,000,000</u>	<u>\$ 96,920,000</u>	<u>\$ 25,500,000</u>	<u>\$ 1,725,000</u>	<u>\$ 120,695,000</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 6 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2007, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 2,245,000	\$ 5,823,269	\$ 6,511,634
2008-2009	2,425,000	5,696,406	6,497,246
2009-2010	2,545,000	5,554,956	6,482,471
2010-2011	2,685,000	5,409,486	6,475,776
2011-2012	2,825,000	5,263,246	8,088,246
2012-2017	16,175,000	24,216,615	32,340,436
2017-2022	20,305,000	22,675,959	32,258,844
2022-2027	25,610,000	14,479,329	32,097,880
2027-2032	31,670,000	7,401,049	31,825,784
2032-2036	14,210,000	1,036,522	14,548,878
Total	<u>\$ 120,695,000</u>	<u>\$ 97,556,837</u>	<u>\$ 218,251,837</u>

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>Payment</u>
2007-2008	\$ 26,000
2008-2009	26,000
2009-2010	26,000
Present Value of Net Minimum Lease Payments	<u>\$ 78,000</u>

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 6 – GENERAL LONG-TERM DEBT (continued)

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, 2007 the principal balance outstanding on the certificates was \$1,455,000.

The certificates mature through 2012 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 265,000	\$ 68,378	\$ 333,378
2008-2009	275,000	55,671	330,671
2009-2010	290,000	42,053	332,053
2010-2011	305,000	27,500	664,500
2011-2012	320,000	12,000	332,000
Totals	<u>\$ 1,455,000</u>	<u>\$ 205,602</u>	<u>\$ 1,992,602</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

A. 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.

B. Construction Commitments

As of June 30, 2007, there was \$3.6 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, 2007

NOTE 8 – JOINT VENTURES (Joint Powers Agreement)

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, 2006 is as follows:

	FBC	RM
Total Assets	\$ 34,478,886	\$ 78,544,868
Total Liabilities	25,943,137	43,888,874
Fund Equity	\$ 8,535,749	\$ 34,655,994
Total Revenue	\$ 22,647,590	\$ 63,576,859
Total Expenditures	21,338,186	44,735,206
Net Income	\$ 1,309,404	\$ 18,841,653

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 9 - 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 rate for fiscal year 2006-07 was 9.124%. The contribution requirements of the plan members are established by State statute. The District made \$2,610,738, in contributions to CalPERS for the fiscal year ending June 30, 2007, \$2,172,482 in contributions to CalPERS for the fiscal year ending June 30, 2006, and \$2,389,410 in contributions to CalPERS for the fiscal year ending June 30, 2005, which represents 100% of the required contributions for each fiscal year.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 9 - 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 2006-07 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, 2007, 2006, and 2005, were \$7,348,583, \$6,578,447, and \$6,929,239, 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 \$4,023,461 to STRS (4.517% of salaries subject to STRS).

NOTE 10- 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 8, 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 on 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, 2007 to \$0.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 10- RISK MANAGEMENT (continued)

Changes in the claims payable in fiscal year 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Claims payable at beginning of year	\$ 159,782	\$ 174,108
Current year claims and changes in estimates	1,737,630	1,703,481
Claims payments	<u>(1,897,412)</u>	<u>(1,717,807)</u>
Claims payable at end of year	<u><u>\$ -</u></u>	<u><u>\$ 159,782</u></u>

NOTE 11 – FUND BALANCES

The following amounts were designated as follows:

	<u>General Fund</u>
Designated for economic uncertainties	10,422,831
Other designations	<u>4,065,638</u>
	<u><u>\$ 14,488,469</u></u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 12 –GASB STATEMENT NO. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued 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 2007-08 fiscal year. The effect of this pronouncement on the financial condition of the District has not been determined.

NOTE 13 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2007, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified Salaries	\$ 237,294
Capital Outlay	168,784
Other outgo	99,916
Total	<u><u>\$ 505,994</u></u>

Required Supplementary Information

OCEANSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Revenue Limit Sources	\$ 109,843,756	\$ 110,334,042	\$ 110,559,887	\$ 225,845
Federal	15,064,490	18,837,473	15,675,411	(3,162,062)
Other State	23,133,384	30,544,386	31,362,677	818,291
Other Local	10,471,648	13,043,402	14,801,298	1,757,896
Total Revenues	158,513,278	172,759,303	172,399,273	(360,030)
Expenditures				
Certificated Salaries	87,051,637	88,781,679	88,554,181	227,498
Classified Salaries	24,918,470	25,776,400	26,013,694	(237,294)
Employee Benefits	28,704,336	29,772,332	28,663,881	1,108,451
Books and Supplies	9,189,823	15,016,122	7,707,907	7,308,215
Services and Other Operating Expenditures	10,469,154	14,688,621	13,718,964	969,657
Capital Outlay	1,081,298	2,791,253	2,960,037	(168,784)
Other Outgo	2,181,470	2,266,470	2,366,386	(99,916)
Direct Support/Indirect Costs	(347,879)	(365,006)	(348,041)	(16,965)
Total Expenditures	163,248,309	178,727,871	169,637,009	9,090,862
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,735,031)	(5,968,568)	2,762,264	8,730,832
Other Financing Sources and Uses				
Interfund transfers out	(845,300)	(845,300)	(845,300)	-
Total Other Financing Sources and Uses	(845,300)	(845,300)	(845,300)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,580,331)	(6,813,868)	1,916,964	8,730,832
Fund Balances, July 1, 2006	25,063,396	25,063,400	25,063,396	3,285,715
Fund Balances, June 30, 2007	\$ 19,483,065	\$ 18,249,532	\$ 26,980,360	\$ 8,730,828

Supplementary Information Section

OCEANSIDE UNIFIED SCHOOL DISTRICT
Local Education Agency Organization Structure
June 30, 2007

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.

GOVERNING BOARD

Member	Office	Term Expires
Lillian V. Adams	President	December, 2010
Janet Bledsoe Lacy	Vice President	December, 2010
Adrienne Hakes	Clerk	December, 2008
Roy Youngblood	Member	December, 2008
Emily Ortiz Wichmann	Member	December, 2010

DISTRICT ADMINISTRATORS

Kenneth A. Noonan
Superintendent

Larry Perondi, Deputy Superintendent
Deputy Superintendent

Dr. Robyn Phillips
Associate Superintendent, Business Services

Jose Banda
Associate Superintendent, Human Resources

Brian Sullivan
Associate Superintendent, School Services

Karen Huddleston
Controller

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2007

	Second Period Report	Annual Report
Elementary:		
Kindergarten	1,571	1,571
Grades 1 through 3	4,674	4,666
Grades 4 through 6	4,438	4,426
Grades 7 and 8	2,709	2,698
Home and Hospital	1	2
Special Education	465	470
Total Elementary	13,858	13,833
Secondary:		
Grades 9 Through 12, regular classes	4,791	4,733
Continuation Education	168	165
Home and Hospital	7	7
Special Education	244	243
Opportunity Schools	111	109
Total Secondary	5,321	5,257
Classes for Adults:		
Not Concurrently Enrolled	71	66
Total Adult Classes	71	66
Total Average Daily Attendance	19,250	19,156
<u>Supplemental Instruction Hours</u>		<u>Hours of Attendance</u>
Elementary		28,061
Secondary		213,805

The note to the supplementary information is an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
Year Ended June 30, 2007

Grade Level	1982-83	1986-87	2006-2007	Number of Days	Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	
Kindergarten	36,000	36,000	36,000	180	Complied
Grade 1	45,000	50,400	54,495	180	Complied
Grade 2	45,000	50,400	54,495	180	Complied
Grade 3	45,000	50,400	54,495	180	Complied
Grade 4	50,000	54,000	54,495	180	Complied
Grade 5	50,000	54,000	54,495	180	Complied
Grade 6	50,000	54,000	54,495	180	Complied
Grade 7	55,000	54,000	64,782	180	Complied
Grade 8	55,000	54,000	64,782	180	Complied
Grade 9	61,300	64,800	75,720	180	Complied
Grade 10	61,300	64,800	75,720	180	Complied
Grade 11	61,300	64,800	75,720	180	Complied
Grade 12	61,300	64,800	75,720	180	Complied

The note to the supplementary information is an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2007

General Fund	(Budget) 2008***	2007	2006	2005
Revenues and other financing sources	\$ 168,841,174	\$ 172,399,273	\$ 160,986,684	\$ 155,915,977
Expenditures, other uses and transfers out	175,120,636	170,482,309	156,257,932	162,145,899
Change in fund balance (deficit)	(6,279,462)	1,916,964	4,728,752	(6,229,922)
Ending fund balance	\$ 20,700,898	\$ 26,980,360	\$ 25,063,396	\$ 20,334,644
Available reserves*	\$ 9,046,093	\$ 10,422,831	\$ 12,398,770	\$ 11,915,145
Available reserves as a percentage of total outgo	5.2%	6.1%	7.9%	7.3%
Total long-term debt	\$ 120,378,442	\$ 122,914,442	\$ 99,374,557	\$ 75,676,435
Average daily attendance at P-2**	19,179	19,179	19,364	20,176

The General Fund balance has increased by \$6,645,715 over the past two years. The fiscal year 2007-08 adopted budget projects a decrease of \$6,279,461. 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).

The District incurred operating deficits in one of the last three years. Long-term debt has increased by \$47,238,007 over the past two years. ADA has decreased by 997 over the past two years.

* 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 2007.

The note to the supplementary information is an integral part of this statement.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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	\$ 776,206
National School Lunch	10.555	13523	3,000,182
Summer Food Service	10.559	13004	71,033
Total U.S.Department of Agriculture			<u>3,847,421</u>
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I - Grants to Local Educational Agencies, Part A	84.010	13797	4,575,649
Title I - Part A, Program Improvements Corrective Action	84.010A	14579	360,972
Title I - Part A, Program Improvement District Intervention	84.010	14581	74,814
Title II - Enhancing Education Through Technology	84.318	14334	174,159
Title II - Part A, Improving Teacher Quality	84.367	14341	1,315,399
Title II - Part A, Principal Training	84.367	14344	11,765
Title III - Immigrant Education	84.365	14346	103,735
Title III - Limited English Proficiency	84.365	10084	583,193
Title IV - Safe and Drug Free Schools	84.186	14347	113,954
Title V - Part A, Innovative Education Strategies	84.298A	14354	28,878
Vocational Education: Carl Perkins Act Sec. 131	84.048	13924	173,331
Vocational Education: Carl Perkins Act Sec. 132	84.048	13923	27,048
Migrant Education	84.011	14326	195,155
School Based Student Drug Testing	84.184D	n/a	191,090
MEES	84.214	14768	23,701
Adult Basic Education Act:			
English Literacy and Civics Education	84.002A	14109	45,525
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance Entitlement	84.027	13379	3,127,051
Preschool Grants	84.173	13430	358,374
Preschool Staff Development	84.173A	13431	2,494
Low incidence	N/A	24461	4,061
Total U.S.Department of Education			<u>11,490,348</u>
U.S. Department of Health & Human Services:			
Passed through California Dept of Health Services:			
Child Development Quality Improvement	93.575	14130	8,101
CDD Infant/Toddler CC Research	93.575	13942	1,864
Total U.S. Department of Health & Human Services			<u>9,965</u>
Total Expenditures of Federal Awards			<u>\$ 15,347,734</u>

See accompanying note to supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements
Year Ended June 30, 2007

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Excess Sick Leave
June 30, 2007

Section 19833.5 (a)(3) or (a)(3)(b) disclosure

Oceanside Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
Year Ended June 30, 2007

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

Charter Schools	Included
Pacific View Charter School	No
School of Business and Technology Charter School	No
Coastal Academy Charter School	No

See accompanying note to supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2007

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

Schedule of Instructional Time

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 46200 through 46206.

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.

Schedule of Financial Trends and Analysis

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.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2007

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Excess Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School and whether or not the Charter School is included in the District audit.

Other Independent Auditors' Reports



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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, 2007, and have issued our report thereon dated December 10, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oceanside Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oceanside Unified School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.


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

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

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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office, 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 dark ink, reading "Nigro Nigro & White, PC". The signature is written in a cursive, flowing style.

San Diego, California
December 10, 2007



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Elizabeth Nigro, CPA

Christy White, CPA

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**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, 2007. 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oceanside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oceanside Unified School District's compliance with those requirements.

In our opinion, Oceanside Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

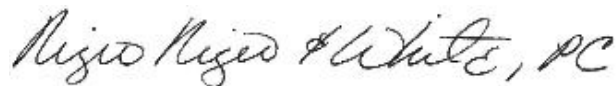
The management of Oceanside Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oceanside Unified 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of management, the Board, others within the entity, the California Department of Education, the State Controller's Office, 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.



San Diego, California
December 10, 2007



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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, 2007, and have issued our report thereon dated December 10, 2007. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2006-07*, 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 Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	No (see below)
Regional Occupational Centers and Programs	6	Not applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Not applicable
Morgan-Hart Class Size Reduction Program	7	Yes

Description	Procedures in Audit Guide	Procedures Performed
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
Excess Sick Leave	2	Yes
Notice of Right to Elect CalSTRS Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Not applicable

We did not perform testing for Adult Education because the ADA was under the level that requires testing.

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, the California Department of Education, the State Controller's Office, 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.

Rigio Rigio & White, PC

San Diego, California
December 10, 2007

Findings and Questioned Costs Section

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2007

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>
Significant deficiency(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>
Significant deficiency(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>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Grants to Local LEA's</u>
<u>84.367</u>	<u>Title II, Part A - Improving Teacher Quality</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 460,432</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(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, 2007

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 categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no audit findings related to the financial statements in 2006-07.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2007

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 2006-07.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2007

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 2006-07.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

<u>Original Finding No.</u>	<u>Finding</u>	<u>Code</u>	<u>Recommendation</u>	<u>Current Status</u>
<i>Finding #2006-1:</i> <u><i>Cafeteria Bank Reconciliation</i></u>	The cafeteria bank account was not reconciled as of June 30, 2006 and reconciliations for prior months were not on file and available for audit. In effect, we were unable to verify that the bank account had been reconciled during 2005-06.	30000	Ensure that the cafeteria bank account is reconciled monthly on a timely basis.	Implemented.