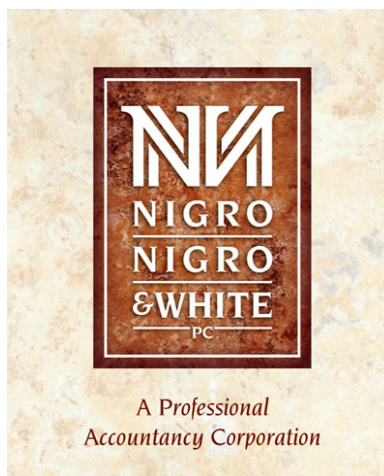


**OCEANSIDE
UNIFIED SCHOOL DISTRICT**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2009**



OCEANSIDE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2009
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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 fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Oceanside Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oceanside Unified School District as of June 30, 2009, 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 November 22, 2009 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 14, and the required supplementary information listed in the table of contents as pages 54 and 55 are 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 cursive script that reads "Nigro Nigro & White, PC".

San Diego, California
November 22, 2009

Management's Discussion and Analysis

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

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, 2009.

FINANCIAL HIGHLIGHTS

- General Fund revenues exceeded expenditures and other outgo by \$4.3 million in 2008-09, due primarily to the receipt of federal American Recovery and Reinvestment Act (ARRA) funds received towards the end of fiscal year 2008-09. The General Fund balance was \$24.7 million with available reserves of 3.2%.
- The District continued to maintain minimum state-required reserves, with \$5.6 million designated for economic uncertainties at year-end, which is \$1.4 million less than the prior year.
- Student enrollment increases by 295 pupils in 2008-09 compared to the prior year.
- The first phase of Modernization for El Camino High School was completed in October 2008; and the second phase is still in progress as of the end of June 2009, completion expected by October 2009. The modernization of Del Rio Elementary continues and is expected to be completed in February 2010. Plans are in place for the modernization of Lincoln Middle School to commence in July 2009. The district currently has set up two swing sites: one at Ditmar and the other at Palmquist Elementary schools, to be used as interim housing during modernization of Lincoln Middle School. These sites will continue to be utilized for modernization projects to house students from several district schools in the future. Plans for architectural designs are in process for several elementary and middle school projects to be modernized out of future Prop H bond proceeds. Plans are also in process to renovate the athletic facilities at both El Camino and Oceanside High Schools. Total capital outlay for facility construction came to \$27 million for the 2008-09 fiscal year.
- District long-term liabilities increased by \$50.3 million, due to the issuance of 2008 Election Series A and unfunded other post-employment liability.
- Overall, net assets increased by \$4.2 million for the District as a whole.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

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)
For the Fiscal Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

Table A-1 below shows that district assets totaled \$335 million as of June 30, 2009. Cash deposits with the County Treasury represent a significant component of district assets at \$74.3 million. Facilities represent the largest component, with buildings valued at \$206.2 million plus an additional \$37.3 million for facilities under construction (work in progress). Land plus site improvements are valued at \$24.3 million and equipment at \$16.1 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 \$186.2 million on June 30, 2009. General obligation bond debt issued for facility construction and modernization constitutes the majority. Other long-term liabilities include \$0.94 million in outstanding obligations for Certificates of Participation (COPs) and capital leases.

Table A-1
Oceanside Unified School District's Statement of Net Assets

| | Governmental Activities | | Total Percentage Change |
|-------------------------------|--------------------------------|-----------------------|--|
| | 2008 | 2009 | 2008-09 |
| Assets | | | |
| Current Assets: | | | |
| Cash | \$ 51,816,337 | \$ 74,262,075 | 43% |
| Other | 15,808,809 | 30,649,767 | 94% |
| Capital Assets: | | | |
| Land | 16,825,171 | 16,825,171 | 0% |
| Improvement of Sites | 7,481,923 | 7,481,923 | 0% |
| Buildings | 204,499,091 | 206,225,635 | 1% |
| Equipment | 16,331,870 | 16,100,670 | -1% |
| Construction in Progress | 13,403,216 | 37,307,319 | 178% |
| Less Accumulated Depreciation | (49,191,869) | (53,806,391) | 9% |
| Total Assets | 276,974,548 | 335,046,169 | 21% |
| Liabilities | | | |
| Current Liabilities | 11,341,529 | 18,093,497 | 60% |
| Long-term Liabilities | 120,882,261 | 168,052,706 | 39% |
| Total Liabilities | 132,223,790 | 186,146,203 | 41% |
| Net Assets | \$ 144,750,758 | \$ 148,899,966 | 3% |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in Net Assets

Overall, net assets of the Oceanside Unified School District were determined to be \$148.9 million on June 30, 2009. This represents an *increase* of \$4.2 million over the course of the year (Table A-2). The increase in net assets is a reflection of one-time state school facilities grant funds received, added costs for salaries and benefits and modernization of facilities within the district.

Table A-2
Changes in Oceanside Unified School District's Net Assets

| | Governmental Activities | | Total Percentage Change |
|----------------------|--------------------------------|---------------------|--|
| | 2008 | 2009 | 2008-09 |
| Beginning Net Assets | \$ 135,819,360 | \$ 144,750,758 | 7% |
| Ending Net Assets | 144,750,758 | 148,899,966 | 3% |
| Change in Net Assets | <u>\$ 8,931,398</u> | <u>\$ 4,149,208</u> | -54% |

Revenues and Expenditures for Governmental Activities

Overall, the district expended \$194.8 million in 2008-09, whereas revenues totaled \$199 million. This represents a \$4.9 million decrease in expenditures from the prior year, mostly related to budget cuts.

Table A-3 on the following page shows that expense related to educating and caring for children account for 81% of total district expenditures. Facilities-related costs account for 10.5%, while purely administrative costs account for about 4.5% of total expense.

Total government-wide revenues for 2008-09 were \$199 million, a decrease of \$9.5 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 \$54.2 million. Interest and investment earnings generated \$0.8 million. State and local taxpayers, however, paid most of the cost.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-3
Oceanside Unified School District's

| | Governmental Activities | | Total Percentage Change |
|--|--------------------------------|-----------------------|--|
| | 2008 | 2009 | 2008-09 |
| Expenditures | | | |
| Instruction | \$ 119,720,380 | \$ 115,272,062 | -4% |
| Instruction-Related Services | 20,229,716 | 20,376,070 | 1% |
| Student Support Services | 21,070,009 | 21,536,646 | 2% |
| Maintenance & Operations | 21,095,666 | 20,622,764 | -58% |
| Administration | 9,196,107 | 8,819,766 | -11% |
| Interest and Other Expenditures | 8,389,230 | 8,173,551 | -3% |
| Total Expenditures | \$ 199,701,108 | \$ 194,800,859 | -2% |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | 5,100,736 | 4,834,178 | -5% |
| Grants and Contributions | 63,999,255 | 54,248,235 | -15% |
| General Revenues: | | | |
| Taxes Levied for General Purposes | 45,272,886 | 45,202,971 | 0% |
| Taxes Levied for Debt Services | 7,998,376 | 7,932,403 | -1% |
| Taxes Levied for Other Specific Purposes | - | 312,620 | -100% |
| State and Federal Unrestricted Aid | 82,682,759 | 83,451,003 | 1% |
| Interest and Investment Earnings | 1,425,804 | 809,596 | -43% |
| Miscellaneous | 1,922,153 | 2,159,061 | 12% |
| Total Revenues | \$ 208,401,969 | \$ 198,950,067 | -5% |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

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 \$177 million for 2008-09, \$7.2 million due to the receipt of ARRA funds. General Fund expenditures plus transfers totaled \$171.8 million, a decrease of 3% over the prior year. Employee salaries and benefits jointly comprise the largest share of expenditures at 86.6%, with benefits as the most rapidly growing component.

The \$24.7 million ending balance at June 30, 2009, included \$5.6 million reserves designated for economic uncertainty, representing 0.2% more than the minimum reserves required for California school districts of this size.

Special Revenue Funds

- The *Adult Education Fund* is used to account separately for state and local revenues for adult education programs. The district operates a relatively small adult education program.
- 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 *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.
- The *Deferred Maintenance Fund* is used to account separately for state apportionments and district contributions for deferred maintenance purposes. The district completed projects totaling \$1.1 million for painting, heating and ventilation, asphalt repair, flooring and roofing, and ended the year with a balance of \$3.0 million.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

Capital Projects Funds

- The *Building Fund* accounts for the construction of capital facilities and buildings from the sale of bond proceeds. A total of \$49,995,054 in Proposition H General Obligation bonds were issued during the year. Around \$15,740,000 in bonds were also refunded in the 2008-09. A carryover balance of \$13.7 million from the previous year, plus interest of \$1.1 million, provided matching funding for modernization of El Camino High School and Del Rio Elementary. These funds have enabled the district to continue with plans for a new performing arts center at Oceanside High School and modernization at several of our elementary and middle schools; plus renovation of the athletic facilities at both El Camino and Oceanside High Schools. Expenditures for facility construction totaled \$21.4 million for the year.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees. This year local construction activity generated fee revenue of \$884,539, which is earmarked for facilities to accommodate enrollment growth. An additional \$316,494 was received from community redevelopment funds. The district expended \$448,159 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. The District received \$2.5 million in 2008-09, towards the projects of Foussat Elementary and Del Rio Elementary. Expenditures totaled \$5.4 million and included costs towards the modernization of El Camino High School as well as the Foussat and Del Rio projects.

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.

Proprietary Funds

- The *Self-Insurance Fund* is used to separate monies associated with the self-insurance activities of the district. Ending balance reserves of \$1.2 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)
For the Fiscal Year Ended June 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2008-09, the District invested \$25.8 million in capital assets, mostly for facility construction and modernization funded from local and state bond proceeds. El Camino High School and Del Rio Elementary are currently undergoing modernization, including new classrooms, and will continue into next fiscal year. Planning for a new performing arts center at Oceanside High School is still in the design phase, along with several elementary and middle school projects. Also in the planning stage are renovations of the athletic fields at both El Camino and Oceanside High Schools.

Long-term Debt

The District paid \$2.8 million in debt service during the year for repayment of COP obligations, bond redemptions and capital leases. New bonds totaling \$51.4 million were issued during the year. On net, total debt increased \$50.3 million during 2008-09.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

Unlike most years, California began the 2009-10 fiscal year with a budget already in place. On February 20, 2009, Governor Schwarzenegger signed a spending plan aimed at addressing the State's worsening budget crisis. However, after the signing of the budget, the fiscal outlook began to worsen. The Governor and Legislature began working to close the budget gap.

On July 28, Governor Schwarzenegger signed a package of bills aimed at closing the state's \$23.241 billion budget shortfall. The package of bills includes a total of \$24.159 billion in "solutions" - \$16.125 billion in spending cuts; \$3.492 billion in revenues and revenue accelerations; \$2.182 billion in borrowing, including \$1.935 billion from local government property tax revenues; \$1.005 billion in fund shifts; and \$1.355 billion in other "solutions", including one-time savings from deferring the payment of state employees' final paycheck for the 2009-10 fiscal year until July 1, 2010.

K-12 Education Budget Agreement:

- Reduces 2008-09 funding for categorical programs by \$1.6 billion compared to the funding level provided by the February budget agreement and shifts these formerly restricted funds to the unrestricted side of the budget creating flexibility in the use of these funds by districts.
- Reduces 2009-10 revenue limit payments by \$4.0 billion compared to the 2009-10 Budget enacted in February and adjusts the revenue limit deficit factor to 18.4 percent for school districts and 18.6 percent for county offices of education.
- Defers \$1.7 billion of school districts' revenue limit payments from 2009-10 to 2010-11.
- Counts \$402 million in 2009-10 funding for the Quality Education Investment Act (QEIA) toward the Proposition 98 minimum funding guarantee to produce an equal amount of General Fund savings. Historically, QEIA dollars provided funds to school districts with the lowest academic achievement and did not count toward the Proposition 98 guarantee. The budget agreement extends the QEIA program by one year, to 2014-15.
- Provides \$496 million in 2009-10 Proposition 98 funding for home-to-school transportation – a reduction of approximately 20 percent from the \$618.7 million provided for the program in 2008-09.
- Reduces 2009-10 funding by \$80 million for Basic Aid school districts' categorical programs to provide a proportionate reduction to non-Basic Aid districts' revenue limit reductions.
- Allows school districts to reduce the school year by up to five instructional days through 2012-13 without losing incentive grants.
- Suspends the requirement that school districts purchase newly adopted instructional materials through 2012-13.
- Allows school districts to sell surplus property and use the proceeds for General Fund purposes through 2011.
- Suspends the High School Exit Exam graduation requirement for students with disabilities beginning in 2009-10. The suspension would last until the State Board of Education authorizes an alternative exam for disabled students.

The Governor's line item vetoes include a \$3.9 million cut to student transportation at State Special Schools, which the Governor states is duplicative because federal special education funds are available for this purpose.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Funding (ARRA)

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA aims to boost the economy through a \$787 billion package of spending and tax measures. Nationally, more than \$100 billion is dedicated to education. California's schools, colleges, and universities can expect to receive approximately \$11.0 billion over three years that can be used to mitigate the impact of state budget reductions and address specified policy goals.

The largest share of the ARRA's education dollars comes from an allocation called the State Fiscal Stabilization Fund, which aims to help states balance their budgets and mitigate the impact of cuts. Other ARRA funds targeting education include support for special education, schools that serve disproportionate numbers of students from disadvantaged backgrounds, school technology, statewide data systems, and teacher improvement programs.

The new State Fiscal Stabilization Fund (SFSF), aimed at helping to stabilize state budgets and mitigate the impact of budget cuts, is the largest pot of ARRA funding focused on education.

The California Department of Education (CDE) recently reported that California's schools received preliminary payments totaling \$2.5 billion from the state's initial Education Stabilization Fund (ESF) allocation. These payments were based on the reductions made to each school district's 2008-09 general-purpose and categorical funds as part of the February budget agreement. K-12 school districts received \$1.6 billion to backfill reductions made to their 2008-09 general-purpose funds and \$887.5 million to backfill reductions made to their 2008-09 categorical funding.

While California cannot use ESF dollars to replace state spending required by the Proposition 98 guarantee, ESF dollars *can* be used to mitigate the impact of the significant state spending reductions enacted as part of current efforts to balance the budget. Local schools can use ESF dollars to help pay for any activity authorized under the Elementary and Secondary Education Act, the Individuals With Disabilities Education Act (IDEA), the Adult Education and Family Literacy Act, and/or the Carl D. Perkins Career and Technical Education Act.

The ARRA significantly increases funding for the primary federal program aimed at improving the education of disadvantaged students, including students from low-income families and English language learners. The federal Title I program aims to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education. California is slated to receive \$1.5 billion in additional Title I dollars under the ARRA, a significant boost in federal support.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Funding (ARRA) (continued)

The ARRA also significantly increases federal support for the IDEA, also referred to as special education, with the goal of helping to ensure that students with disabilities receive an appropriate education. The CDE estimates that California's schools will receive \$1.3 billion in additional special education support from the ARRA - \$1.2 billion for K-12 education and \$41 million for pre-school programs. California received half of its ARRA IDEA dollars in April and will receive the second half by the end of September upon approval of a report the state must submit to the Department of Education (DOE).

The ARRA provides a significant level of funding to support California's schools, which will help mitigate the impact of state spending cuts. While the ARRA limits the extent to which ARRA's education dollars can be used to help close the state's budget shortfall, the Legislature may choose to use some ARRA dollars for this purpose. To receive additional ARRA dollars, however, California must submit reports to the DOE that include information regarding how the state and local schools use their ARRA allocations. These reports are designed to promote transparency and accountability at the local, state, and federal levels and will be reviewed by the DOE to determine whether California receives additional ARRA dollars.

OTHER FACTORS

Enrollment

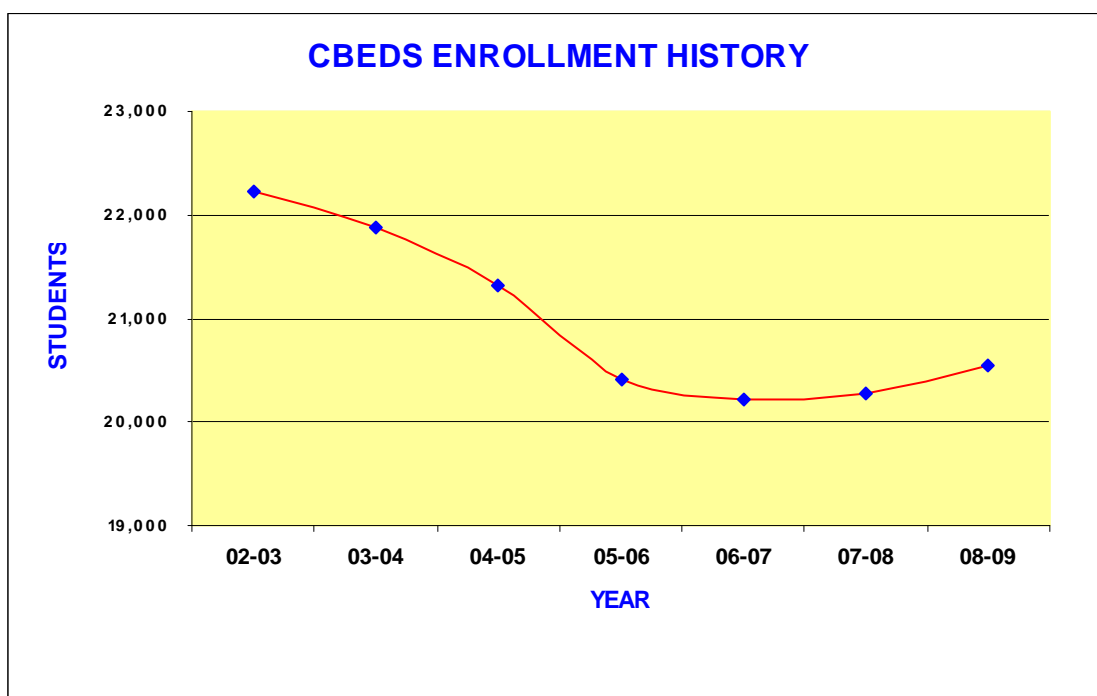
Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2009

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

All of these factors were considered in preparing the Oceanside Unified School District budget for the 2009-10 fiscal year.

Figure 1



Looking to the future, the Oceanside Unified School District faces the financial challenge of covering the cost of employee salaries and significant increases in medical premiums as well as other fixed costs with minimal or no state funding increases. While the district finally stabilized in enrollment over the last two years, enrollment again declined at the beginning of the 2009-10 school year. Projections for future years are for status quo enrollment, but the district must be prepared for unforeseen drops like this one. The leadership team and governing board along with the bargaining units support remain committed to maintaining the fiscal health of the district.

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, 2009

| | Total Governmental Activities |
|---|-------------------------------------|
| ASSETS | |
| Current Assets | |
| Cash | \$ 74,262,075 |
| Accounts receivable | 28,949,777 |
| Inventories | 241,148 |
| Prepaid expenses | 1,458,842 |
| Total current assets | <u>104,911,842</u> |
| Capital Assets | |
| Land | 16,825,171 |
| Improvement of sites | 7,481,923 |
| Buildings | 206,225,635 |
| Furniture and equipment | 16,100,670 |
| Construction in progress | 37,307,319 |
| Less accumulated depreciation | (53,806,391) |
| Total capital assets, net of depreciation | <u>230,134,327</u> |
| Total assets | <u>335,046,169</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 11,980,601 |
| Deferred revenue | 3,285,671 |
| Portion due or payable within one year | 2,827,225 |
| Total current liabilities | <u>18,093,497</u> |
| Long-term liabilities | |
| Portion due or payable after one year | 168,052,706 |
| Total long-term liabilities | <u>168,052,706</u> |
| Total liabilities | <u>186,146,203</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 105,678,010 |
| Restricted for: | |
| Capital projects | 8,491,780 |
| Debt service | 6,469,605 |
| Educational programs | 12,388,566 |
| Unrestricted | <u>15,872,005</u> |
| Total net assets | <u>\$ 148,899,966</u> |

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2009

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and |
| | | | | | Changes in |
| | | | | | Net Assets |
| Governmental Activities | | | | | |
| Instructional Services: | | | | | |
| Instruction | \$ 115,272,062 | \$ 465,986 | \$ 23,336,085 | \$ 2,539,035 | \$ (88,930,956) |
| Instruction-Related Services: | | | | | |
| Supervision of instruction | 4,126,339 | 70,326 | 2,631,541 | - | (1,424,472) |
| Instructional library, media and technology | 3,625,861 | 3,629 | 132,900 | - | (3,489,332) |
| School site administration | 12,623,870 | 3,722 | 4,144,535 | - | (8,475,613) |
| Pupil Support Services: | | | | | |
| Home-to-school transportation | 6,551,180 | - | 3,282,997 | - | (3,268,183) |
| Food services | 6,478,265 | 1,774,002 | 5,165,582 | - | 461,319 |
| All other pupil services | 8,507,201 | 4,276 | 1,332,796 | - | (7,170,129) |
| General Administration Services: | | | | | |
| Data processing services | 1,805,572 | 29,303 | 25,425 | - | (1,750,844) |
| Other general administration | 7,014,194 | 2,438,600 | 7,769,441 | - | 3,193,847 |
| Plant services | 20,622,764 | 40,933 | 177,427 | - | (20,404,404) |
| Ancillary services | 140,783 | - | - | - | (140,783) |
| Community services | 238,947 | 3,401 | 196,204 | - | (39,342) |
| Enterprise activities | - | - | 3,195,860 | - | 3,195,860 |
| Interest on long-term debt | 6,606,611 | - | - | - | (6,606,611) |
| Other outgo | 1,187,210 | - | 318,407 | - | (868,803) |
| Total Governmental Activities | <u>\$ 194,800,859</u> | <u>\$ 4,834,178</u> | <u>\$ 51,709,200</u> | <u>\$ 2,539,035</u> | <u>(135,718,446)</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 45,202,971 |
| Property taxes, levied for debt service | | | | | 7,932,403 |
| Property taxes, levied for other specific purposes | | | | | 312,620 |
| Federal and state aid not restricted to specific purpose | | | | | 83,451,003 |
| Interest and investment earnings | | | | | 809,596 |
| Miscellaneous | | | | | <u>2,159,061</u> |
| Total general revenues | | | | | <u>139,867,654</u> |
| Change in net assets | | | | | 4,149,208 |
| Net assets - July 1, 2008 | | | | | <u>144,750,758</u> |
| Net assets - June 30, 2009 | | | | | \$ 148,899,966 |

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2009

| | General Fund | Building fund | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------|----------------------|----------------------|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 6,045,126 | \$ 47,235,101 | \$ 19,957,456 | \$ 73,237,683 |
| Accounts receivable | 26,537,800 | 663,057 | 1,341,814 | 28,542,671 |
| Due from other funds | 355,055 | 4,677 | 86,533 | 446,265 |
| Inventories | 55,965 | - | 185,181 | 241,146 |
| Prepaid expenditures | 637,908 | - | - | 637,908 |
| Total Assets | <u>\$ 33,631,854</u> | <u>\$ 47,902,835</u> | <u>\$ 21,570,984</u> | <u>\$ 103,105,673</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 5,583,635 | \$ 3,074,911 | \$ 593,743 | \$ 9,252,289 |
| Due to other funds | 61,950 | 3,761 | 380,554 | 446,265 |
| Deferred revenue | 3,285,671 | - | - | 3,285,671 |
| Total Liabilities | <u>8,931,256</u> | <u>3,078,672</u> | <u>974,297</u> | <u>12,984,225</u> |
| Fund Balances | | | | |
| Reserved for: | | | | |
| Inventories | 55,967 | - | 185,181 | 241,148 |
| Revolving cash | 80,000 | - | 10,000 | 90,000 |
| Prepaid expenditures | 637,908 | - | - | 637,908 |
| Categorical programs | 12,388,566 | - | - | 12,388,566 |
| Debt service fund | - | - | 6,469,605 | 6,469,605 |
| Unreserved; reported in: | | | | |
| General fund | 11,538,157 | - | - | 11,538,157 |
| Capital project funds | - | 44,824,163 | 8,491,780 | 53,315,943 |
| Special revenue funds | - | - | 5,440,121 | 5,440,121 |
| Total Fund Balances | <u>24,700,598</u> | <u>44,824,163</u> | <u>20,596,687</u> | <u>90,121,448</u> |
| Total Liabilities and Fund Balances | <u>\$ 33,631,854</u> | <u>\$ 47,902,835</u> | <u>\$ 21,570,984</u> | <u>\$ 103,105,673</u> |

The notes to 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, 2009

Total fund balances - governmental funds \$ 90,121,448

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 \$283,940,719 and the accumulated depreciation is (\$53,806,391). 230,134,327

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (2,500,777)

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: 820,932

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

| | | |
|---------------------------------------|----------------|---------------|
| General obligation bonds | \$ 167,265,503 | |
| Compensated absences payable | 859,413 | |
| Other postemployment benefits payable | 354,589 | |
| Capital leases payable | 26,000 | |
| Certificates of participation payable | 915,000 | |
| General obligation bonds premium | 1,459,426 | (170,879,931) |

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: 1,203,967

Total net assets - governmental activities \$ 148,899,966

The notes to 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 Fiscal Year Ended June 30, 2009

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------|---------------|------------------------------------|--------------------------------|
| REVENUES | | | | |
| General Revenues: | | | | |
| Property taxes | \$ 43,115,331 | \$ - | \$ 8,245,023 | \$ 51,360,354 |
| Federal and state aid not restricted to specific purpose | 85,538,642 | - | - | 85,538,642 |
| Earnings on investments | 622,000 | - | 187,596 | 809,596 |
| Miscellaneous | 1,273,217 | - | 885,844 | 2,159,061 |
| Program Revenues: | | | | |
| Charges for services | 2,996,827 | - | 1,837,351 | 4,834,178 |
| Operating grants and contributions | 43,487,902 | 1,055,429 | 7,165,869 | 51,709,200 |
| Capital grants and contributions | - | - | 2,539,035 | 2,539,035 |
| Total Revenues | 177,033,919 | 1,055,429 | 20,860,718 | 198,950,066 |
| EXPENDITURES | | | | |
| Instructional Services: | | | | |
| Instruction | 112,697,436 | - | 1,654,398 | 114,351,834 |
| Instruction-Related Services: | | | | |
| Supervision of instruction | 3,793,327 | - | 253,016 | 4,046,343 |
| Instructional library, media and technology | 1,792,632 | - | - | 1,792,632 |
| School site administration | 12,620,933 | - | 5,466 | 12,626,399 |
| Pupil Support Services: | | | | |
| Home-to-school transportation | 6,300,997 | - | - | 6,300,997 |
| Food services | 442 | - | 6,254,118 | 6,254,560 |
| All other pupil services | 8,476,229 | - | 7,553 | 8,483,782 |
| General Administration Services: | | | | |
| Data processing services | 1,341,628 | - | - | 1,341,628 |
| Other general administration | 6,411,673 | - | 302,605 | 6,714,278 |
| Plant services | 17,264,862 | 230,285 | 1,235,695 | 18,730,842 |
| Facility acquisition and construction | 275 | 21,184,313 | 5,717,831 | 26,902,419 |
| Ancillary services | 140,510 | - | - | 140,510 |
| Community services | 238,520 | - | - | 238,520 |
| Other outgo: | | | | |
| Transfers between agencies | 97,630 | - | - | 97,630 |
| Debt service - issuance costs | 229,580 | - | - | 229,580 |
| Debt service - principal | 301,000 | - | 2,425,000 | 2,726,000 |
| Debt service - interest | 55,671 | - | 5,705,406 | 5,761,077 |
| Total Expenditures | 171,763,345 | 21,414,598 | 23,561,088 | 216,739,031 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 5,270,574 | (20,359,169) | (2,700,370) | (17,788,965) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers in | - | 217,406 | 908,206 | 1,125,612 |
| Interfund transfers out | (927,706) | - | (197,906) | (1,125,612) |
| Proceeds from long term debt | - | - | 49,995,054 | 49,995,054 |
| All other financing sources (uses) | - | 51,266,629 | (49,730,391) | 1,536,238 |
| Total Other Financing Sources and Uses | (927,706) | 51,484,035 | 974,963 | 51,531,292 |
| Net Change in Fund Balances | 4,342,868 | 31,124,866 | (1,725,407) | 33,742,327 |
| Fund Balances, July 1, 2008 | 20,357,730 | 13,699,297 | 22,322,094 | 56,379,121 |
| Fund Balances, June 30, 2009 | \$ 24,700,598 | \$ 44,824,163 | \$ 20,596,687 | \$ 90,121,448 |

The notes to 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 Fiscal Year Ended June 30, 2009

Total net change in fund balances - governmental funds **\$ 33,742,327**

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. The difference between capital outlay expenditures and depreciation expense for the period is:

| | | |
|---------------------------------|--------------------|------------|
| Expenditures for capital outlay | \$ 25,793,732 | |
| Depreciation expense | <u>(4,959,225)</u> | 20,834,507 |

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 reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,726,000

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 were: (52,391,292)

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: (49,584)

In governmental funds, premium costs are recognized as expenditures in the period they are incurred. In the government-wide statements, premium costs are amortized over the life of debt. The difference between premium costs recognized in the current period and the premium costs amortized for the period is: 76,812

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: (922,347)

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.) 11,340

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (35,080)

Internal service funds are used to conduct certain activities or which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 156,525

Change in net assets of governmental activities **\$ 4,149,208**

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Statement of Fund Assets – Proprietary Funds
June 30, 2009

| | |
|--|--|
| | Governmental Activities: Self- Insurance Fund |
| ASSETS | |
| Cash | \$ 1,024,393 |
| Accounts receivable | 407,106 |
| | |
| Total Assets | 1,431,499 |
| | |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 227,532 |
| | |
| Total liabilities | 227,532 |
| | |
| NET ASSETS | |
| Unrestricted | 1,203,967 |
| | |
| Total net assets | \$ 1,203,967 |

The notes to 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 Fiscal Year Ended June 30, 2009

| | |
|----------------------------------|---|
| | Governmental Activities: Self-Insurance Fund |
| | <hr/> |
| OPERATING REVENUES | |
| Contributions from other funds | \$ 3,796,796 |
| Other local revenues | 31,300 |
| | <hr/> |
| Total operating revenues | 3,828,096 |
| | <hr/> |
| OPERATING EXPENSES | |
| Insurance expense | 3,694,548 |
| | <hr/> |
| Total operating expenses | 3,694,548 |
| | <hr/> |
| OPERATING INCOME | 133,548 |
| | |
| NON-OPERATING REVENUES | |
| Interest income | 22,976 |
| | <hr/> |
| Total Non-Operating Revenue | 22,976 |
| | <hr/> |
| CHANGE IN NET ASSETS | 156,524 |
| | |
| NET ASSETS, JULY 1, 2008 | 1,047,443 |
| | <hr/> |
| NET ASSETS, JUNE 30, 2009 | \$ 1,203,967 |
| | <hr/> <hr/> |

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2009

| | |
|--|---|
| | Governmental Activities: Self-Insurance Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from assessments made to other funds | \$ 3,618,768 |
| Cash payments for insurance expenses | (3,699,925) |
| Net cash used by operating activities | (81,157) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 27,872 |
| Net cash provided by investing activities | 27,872 |
| Net decrease in cash | (53,285) |
| Cash, July 1, 2008 | 1,077,678 |
| Cash, June 30, 2009 | \$ 1,024,393 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 133,548 |
| Adjustments to reconcile operating income to net cash used by operating activities: | |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | (209,327) |
| Decrease in claims payable | (5,378) |
| Net cash used by operating activities | \$ (81,157) |

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets – Agency Funds
June 30, 2009

| | Agency Funds |
|--------------------------------|--------------------------|
| Assets | |
| Deposits and investments | \$ 324,913 |
| Accounts receivable - interest | 3,924 |
| Due from other funds | 65,008 |
| | |
| Total Assets | <u><u>\$ 393,845</u></u> |
| Liabilities | |
| Due to student groups | <u>\$ 393,845</u> |
| | |
| Total Liabilities | <u><u>\$ 393,845</u></u> |

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all fund, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The following are those aspects of the relationship between the District and the component units 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (continued)

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.

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. Separate financial statements for the individual component units are not prepared.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

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, 2009

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. Fiduciary funds are excluded from the government financial statements because they do not represent resources of the District.

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 collected within the current period or within 60 days after year end.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

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, 2009

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 *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.
 3. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.
 4. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

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 one 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 the State facilities program.
- ***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, 2009

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, 2009

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 | 5-20 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, 2009

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, 2009

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, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New GASB Pronouncements

GASB Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations* was issued in November, 2006. This statement addresses standards for obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not expected to have any financial impact on the District.

GASB Statement No. 52 – *Land and Other Real Estate Held as Investments by Endowments* was issued in November, 2007. The statement establishes consistent standards for the reporting of land and other real estate held as investments by endowments and similar entities, such as pension and other postemployment benefit plans, external investment pools, and deferred compensation plans. It requires land and other real estate held to be reported at fair value. This statement is not expected to have any financial impact on the District.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

| | Governmental funds | Proprietary funds | Fiduciary funds |
|---------------------------|-----------------------|----------------------|--------------------|
| Cash in county treasury | \$ 72,646,596 | \$ 1,024,392 | \$ - |
| Cash on hand and in banks | 167,597 | - | 324,913 |
| Cash in revolving fund | 90,000 | - | - |
| Cash with fiscal agent | 333,490 | - | - |
| Total | <u>\$ 73,237,683</u> | <u>\$ 1,024,392</u> | <u>\$ 324,913</u> |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2009

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its web site. The table below identifies some of the investment types permitted in the investment policy:

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

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 \$75,263,066 and an amortized book value of \$74,695,381. The average weighted maturity for this pool is 332 days. In addition, the District maintains investments in JP Morgan money market funds with an amortized cost of \$333,490. Fair value for this investment approximates amortized cost.

NOTE 2 – CASH AND INVESTMENTS (continued)

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 by Moody's Investor Service. The investment with JP Morgan money market funds is rated 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, 2009, \$242,510 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, 2009

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2009 consist of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | Proprietary Funds | Total |
|---------|----------------------|-------------------|------------------------------------|----------------------|----------------------|
| Federal | \$ 5,754,810 | \$ - | \$ 45,579 | \$ - | \$ 5,800,389 |
| State | 19,170,794 | - | 365,552 | 407,106 | 19,943,452 |
| Local | 1,612,196 | 663,057 | 930,683 | - | 3,205,936 |
| Total | <u>\$ 26,537,800</u> | <u>\$ 663,057</u> | <u>\$ 1,341,814</u> | <u>\$ 407,106</u> | <u>\$ 28,949,777</u> |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2009 is shown below:

| | Beginning Balance July 1, 2008 | Additions | Deletions | Ending Balance June 30, 2009 |
|---|--------------------------------------|----------------------|---------------------|------------------------------------|
| Land | \$ 16,825,171 | \$ - | \$ - | \$ 16,825,171 |
| Site improvements | 7,481,923 | - | - | 7,481,923 |
| Buildings and improvements | 204,499,091 | 1,726,544 | - | 206,225,635 |
| Furniture and equipment | 16,331,870 | 163,084 | 394,284 | 16,100,670 |
| Work in progress | 13,403,216 | 25,107,746 | 1,203,643 | 37,307,319 |
| Total at historical cost | <u>\$ 258,541,271</u> | <u>\$ 26,997,374</u> | <u>\$ 1,597,927</u> | <u>\$ 283,940,718</u> |
| Less accumulated depreciation: | | | | |
| Site improvements | 3,882,633 | 2,637 | | 3,885,270 |
| Buildings | 33,318,887 | 3,759,133 | | 37,078,020 |
| Furniture and equipment | 11,990,349 | 1,197,455 | 344,703 | 12,843,101 |
| Total accumulated depreciation | <u>49,191,869</u> | <u>4,959,225</u> | <u>344,703</u> | <u>53,806,391</u> |
| Governmental activities capital assets, net | <u>\$ 209,349,402</u> | <u>\$ 22,038,149</u> | <u>\$ 1,253,224</u> | <u>\$ 230,134,327</u> |

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

| | |
|---|---------------------|
| Instruction | \$ 1,023,905 |
| Supervision of instruction | 51,233 |
| Instructional Library, Media and Technology | 1,828,390 |
| Food Services | 227,672 |
| Transportation | 281,194 |
| All Other General Administration | 385,494 |
| Data Processing Services | 460,830 |
| Plant Services | 700,507 |
| Total | <u>\$ 4,959,225</u> |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

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.

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances as of June 30, 2009 are as follows:

| | Due To Other Funds | | | |
|------------------------------|--------------------|------------------|------------------------------------|-------------------|
| | General Fund | Building Fund | Non-Major Governmental Funds | Total |
| General Fund | \$ - | \$ 3,761 | \$ 351,294 | \$ 355,055 |
| Building Fund | 4,677 | - | - | 4,677 |
| Non-Major Governmental Funds | 57,273 | - | 29,260 | 86,533 |
| Total | <u>\$ 61,950</u> | <u>\$ 3,761</u> | <u>\$ 380,554</u> | <u>\$ 446,265</u> |

| | |
|--|-------------------|
| General Fund due to Child Development Fund for indirect charges and workers compensation | \$ 39,755 |
| General Fund due to Cafeteria Fund for revenue received and workers compensation | 9,947 |
| General Fund due to Deferred Maintenance Fund for contribution-state match | 16 |
| General Fund due to Adult Education Fund for allocation of expenses | 7,555 |
| General Fund due to Building Fund for interest for loan from bond | 4,677 |
| Adult Education Fund due to General Fund for allocation of expenses and indirect charges | 52,985 |
| Child Development Fund due to General Fund for preschool rent, supplies, indirect charges and loan | 136,151 |
| Child Development Fund due to Cafeteria Fund for revenue | 29,260 |
| Cafeteria Fund due to General Fund for indirect charges and allocation of expenses | 135,552 |
| Building Fund due to General Fund for indirect charges | 3,761 |
| Capital Facilities Fund due to General Fund for indirect charges and Developer fees | 26,606 |
| Total | <u>\$ 446,265</u> |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 5 - INTERFUND ACTIVITIES (continued)

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 2008-09 fiscal year consisted of the following:

| | Interfund Transfer Out | | |
|--------------------------|------------------------|--------------------------|---------------------|
| | General Fund | Other Governmental Funds | Total |
| Building Fund | \$ 19,500 | \$ 197,906 | \$ 217,406 |
| Other Governmental Funds | 908,206 | - | 908,206 |
| Total | <u>\$ 927,706</u> | <u>\$ 197,906</u> | <u>\$ 1,125,612</u> |

| | |
|--|---------------------|
| Transfer from the General Fund to Deferred Maintenance Fund to match State funding | \$ 908,206 |
| Transfer from the General Fund to Building Fund for school improvement | 19,500 |
| Transfer from Capital Facilities Fund to Building Fund for school renovation | 197,906 |
| Total | <u>\$ 1,125,612</u> |

NOTE 6 - GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2009 is shown below:

| | Balance July 1, 2008 | Additions | Deletions | Balance June 30, 2009 | Due Within One Year |
|----------------------------------|-------------------------|----------------------|---------------------|--------------------------|------------------------|
| General obligation bonds | \$ 118,450,000 | \$ 51,240,503 | \$ 2,425,000 | \$ 167,265,503 | \$ 1,575,000 |
| General obligation bonds premium | | 1,536,238 | 76,812 | 1,459,426 | 76,812 |
| Capital leases | 52,000 | - | 26,000 | 26,000 | 26,000 |
| Certificates of participation | 1,190,000 | - | 275,000 | 915,000 | 290,000 |
| Compensated absences | 870,753 | - | 11,340 | 859,413 | 859,413 |
| Other postemployment benefits | 319,508 | 447,516 | 412,435 | 354,589 | - |
| Totals | <u>\$ 120,882,261</u> | <u>\$ 53,224,257</u> | <u>\$ 3,226,587</u> | <u>\$ 170,879,931</u> | <u>\$ 2,827,225</u> |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 6 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The outstanding bonded debt of Oceanside Unified School District at June 30, 2009 is:

| Issue Date | Matutity Date | Interest Rate | Original Issue | Beginning Balance | Accreted Interest | Issued | Redeemed | Refunded | Ending Balance |
|------------|---------------|---------------|-----------------------|-----------------------|-------------------|----------------------|---------------------|----------------------|-----------------------|
| 06/15/00 | 08/01/30 | 5.0-8.0% | \$ 9,500,000 | \$ 8,555,000 | \$ - | \$ - | \$ 185,000 | \$ 8,175,000 | \$ 195,000 |
| 05/17/01 | 08/01/31 | 4.0-7.0% | 20,000,000 | 18,155,000 | - | - | 405,000 | 5,665,000 | 12,085,000 |
| 03/21/02 | 08/01/32 | 4.1-7.0% | 20,000,000 | 18,555,000 | - | - | 405,000 | 1,900,000 | 16,250,000 |
| 05/05/04 | 08/01/33 | 3.0-5.0% | 25,000,000 | 23,850,000 | - | - | 510,000 | - | 23,340,000 |
| 06/22/05 | 08/01/04 | 3.0-5.0% | 25,000,000 | 24,180,000 | - | - | 480,000 | - | 23,700,000 |
| 06/20/06 | 08/01/35 | 4.0-7.0% | 25,500,000 | 25,155,000 | - | - | 440,000 | - | 24,715,000 |
| 03/04/09 | 08/01/31 | 3.8-8.0% | 49,995,054 | - | 385,449 | 49,995,054 | - | - | 50,380,503 |
| 03/04/09 | 08/01/35 | 3-4.25% | 16,600,000 | - | - | 16,600,000 | - | - | 16,600,000 |
| | | | <u>\$ 191,595,054</u> | <u>\$ 118,450,000</u> | <u>\$ 385,449</u> | <u>\$ 66,595,054</u> | <u>\$ 2,425,000</u> | <u>\$ 15,740,000</u> | <u>\$ 167,265,503</u> |

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2009, are as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|-----------------------|-----------------------|-----------------------|
| 2010 | \$ 2,545,000 | \$ 7,470,656 | \$ 10,015,656 |
| 2011 | 1,575,000 | 5,105,849 | 6,680,849 |
| 2012 | 1,660,000 | 5,017,274 | 6,677,274 |
| 2013 | 1,735,000 | 4,934,761 | 6,669,761 |
| 2014 | 2,057,133 | 4,916,166 | 6,973,299 |
| 2014-2019 | 24,030,478 | 27,783,419 | 51,813,896 |
| 2019-2024 | 35,453,061 | 32,251,276 | 67,704,337 |
| 2024-2029 | 37,309,398 | 44,284,846 | 81,594,244 |
| 2029-2034 | 56,004,985 | 22,823,208 | 78,828,194 |
| 2034-2035 | 4,510,000 | 179,223 | 4,689,223 |
| Total | <u>\$ 166,880,054</u> | <u>\$ 154,766,679</u> | <u>\$ 321,646,733</u> |

Proposition H General Obligation Bond Authorization

On June 3, 2008, the voters in the District passed by 71% Proposition H, a \$195 million general obligation bond authorization. With the passing of Proposition H, the District will continue modernization plans for as many as 19 campuses district-wide. Bond funds will be supplemented with state matching funds and other funding sources to help complete the work.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 6 – GENERAL LONG-TERM DEBT (continued)

B. Capital Leases

The District leases equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payment for 2009-10 is \$26,000.

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

C. Certificates of Participation

On September 9, 1997 the Oceanside Unified School District issued certificates of participation in the amount of \$4,500,000 for the construction of certain improvements through the Oceanside Unified School Facilities Corporation and having stated interest rates ranging from 4.1% to 5.0%. At June 30, 2009 the principal balance outstanding on the certificates was \$915,000.

The certificates mature through 2012 as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2009-2010 | \$ 290,000 | \$ 42,053 | \$ 332,053 |
| 2010-2011 | 305,000 | 27,500 | 332,500 |
| 2011-2012 | 320,000 | 12,000 | 332,000 |
| Totals | <u>\$ 915,000</u> | <u>\$ 81,553</u> | <u>\$ 996,553</u> |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

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, 2009, there was \$27,856,094 in outstanding construction commitments to construction, engineering and architectural firms related to the new construction and modernization of various school sites.

NOTE 8 – TAX REVENUE ANTICIPATION NOTES

The District issued \$6,000,000 of Tax Revenue Anticipation dated July 1, 2008 through the County of San Diego and San Diego District pool, Series 2008. The notes were sold by the district to supplement its cash flow.

The funds were held with the San Diego County Treasurer, unless and until the District needs to draw funds out. Repayment requirements were that \$6,000,000 in principal plus \$209,416 interest be paid by June 30, 2009.

The monies were required to remain on deposit until maturity, at which time they were applied to pay the principal and interest on the notes. All deposits were made to the Trustee on a timely basis. Therefore, the liability is not reported on the financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 9 – JOINT VENTURES (Joint Powers Agreement)

The Oceanside Unified School District participates in one joint venture under a joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (RM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides workers' compensation, health, and property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA 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 JPA.

Condensed audited financial information for the most currently available year ended June 30, 2008 is as follows:

| | RM |
|--------------------|----------------------|
| Total Assets | \$ 98,486,735 |
| Total Liabilities | 49,751,745 |
| Fund Equity | <u>\$ 48,734,990</u> |
| | |
| Total Revenue | \$ 53,978,166 |
| Total Expenditures | 50,379,472 |
| Net Income | <u>\$ 3,598,694</u> |

NOTE 10 - 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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 10 - EMPLOYEE RETIREMENT PLANS (continued)

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 2008-09 was 9.428%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

| | <u>Contribution</u> | <u>Percent of Required Contribution</u> |
|---------|---------------------|---|
| 2008-09 | \$ 2,732,177 | 100% |
| 2007-08 | \$ 2,901,327 | 100% |
| 2006-07 | \$ 2,610,842 | 100% |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 10 - 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 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

| | <u>Contribution</u> | <u>Percent of Required Contribution</u> |
|---------|---------------------|---|
| 2008-09 | \$ 7,342,660 | 100% |
| 2007-08 | \$ 7,628,994 | 100% |
| 2006-07 | \$ 7,348,583 | 100% |

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 approximately \$4,020,218 to STRS (4.517% of salaries subject to STRS in 2008-09).

NOTE 11- 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 9, 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 12 – FUND BALANCES

The following amounts were designated as follows:

| | <u>General Fund</u> |
|------------------------|----------------------|
| Economic Uncertainties | \$ 5,634,286 |
| Non-Resident Tuition | 5,903,871 |
| Total | <u>\$ 11,538,157</u> |

NOTE 13 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2009, expenditures exceeded appropriations in individual funds as follows:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> |
|--------------------------------|----------------------------|
| General Fund: | |
| Classified Salaries | \$ 364,166 |
| Capital Outlay | 232 |
| Other Outgo | 10,631 |
| Total | <u>\$ 375,029</u> |

NOTE 14 – SUBSEQUENT EVENT

The District issued \$12,920,000 of Tax Revenue Anticipation on dated July 1, 2009 through the County of San Diego and San Diego School District pool, Series 2009. The notes mature on June 30, 2010 and yield 1.00% interest. The notes were sold by the District to supplement its cash flow.

The funds will be held with the San Diego County Treasurer, unless and until the District needs to draw funds out. Repayment requirements were that \$12,920,000 in principal and \$257,682 in interest be paid by June 30, 2010.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 14 – SUBSEQUENT EVENT (continued)

Accounting Treatment of Re-apportioned Categorical Funds

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-10 re-appropriation should not be accrued. No adjustment has been made to reduce revenue and the related receivable in the financial statements as of June 30, 2009 because the amount of the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package is not deemed to be material to the District's financial statements.

NOTE 15– OTHER POSTEMPLOYMENT BENEFITS

Oceanside Unified School District administers single-employer defined benefit other postemployment plan (OPEB) that provides medical insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Plan Description and Contribution Information

Membership in the plan consisted of the following:

| | |
|--|--------------|
| Retirees and beneficiaries receiving benefits* | 127 |
| Active plan members | 1,838 |
| Total | <u>1,965</u> |

* As of August 1, 2009

| | |
|-----------------------------------|---|
| Number of participating employers | 1 |
|-----------------------------------|---|

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (continued)

To be eligible the employee must have twenty years of service with the District and be between the age of fifty-five and the age of Medicare eligibility or be approved for STRS or PERS disability retirement within thirty-nine months of his/her fifty-five year birthday. Dependents of retirees are not eligible for benefits. The benefits are capped at age 65 and at \$1,800 per year, as of the May 10, 2006 actuarial valuation date.

The District's funding policy is based on the projected pay-as you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2008-09, the District contributed \$35,081, which is 8% of the annual required contribution.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|-------------------------------------|--------------------------|
| Annual required contribution (ARC) | \$ 447,516 |
| Interest on net OPEB obligation | - |
| Adjustment to ARC | - |
| Annual OPEB cost | <u>447,516</u> |
| Contributions made | <u>412,435</u> |
| Increase in net OPEB asset | 35,081 |
| Net OPEB obligation - July 1, 2008 | 319,508 |
| Net OPEB obligation - June 30, 2009 | <u><u>\$ 354,589</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008-09 are as follows:

| Year Ended | Annual | Percentage | Net |
|------------|--------------|-------------|------------|
| June 30, | Required | Contributed | OPEB |
| | Contribution | | Obligation |
| 2009 | \$ 447,516 | 100% | \$ 354,589 |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

As of August 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$6.9 million and the unfunded actuarial accrued liability (UAAL) was \$6.9 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events for into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|-----------------------------|
| Valuation Date | 4/1/2009 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll |
| Remaining Amortization Period | 29 |
| Asset Valuation | Market value basis |
| Actuarial Assumptions: | |
| Investment rate of return | 3% |
| Discount rate | 5% |
| Healthcare cost trend rate | |
| Medical | 4% |

Required Supplementary Information

OCEANSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2009

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|----------------|--------------------------|-------------------------------------|
| | Original | Final | (Budgetary Basis) | Final Budget - Pos (Neg) |
| Revenues | | | | |
| Revenue Limit Sources | \$ 111,890,182 | \$ 110,027,433 | \$ 111,936,385 | \$ 1,908,952 |
| Federal | 16,744,158 | 19,104,289 | 24,183,563 | 5,079,274 |
| Other State | 25,286,702 | 25,474,273 | 26,008,868 | 534,595 |
| Other Local | 12,999,982 | 14,810,444 | 14,905,103 | 94,659 |
| Total Revenues | 166,921,024 | 169,416,439 | 177,033,919 | 7,617,480 |
| Expenditures | | | | |
| Certificated Salaries | 89,799,543 | 90,575,456 | 89,443,434 | 1,132,022 |
| Classified Salaries | 27,278,437 | 27,961,272 | 28,325,438 | (364,166) |
| Employee Benefits | 29,933,874 | 31,459,779 | 31,076,168 | 383,611 |
| Books and Supplies | 8,559,386 | 10,787,064 | 7,634,039 | 3,153,025 |
| Services and Other Operating Expenditures | 11,767,097 | 16,230,313 | 15,010,117 | 1,220,196 |
| Capital Outlay | 8,076 | 95,574 | 95,806 | (232) |
| Direct Support/Indirect Costs | (274,444) | (282,789) | (275,959) | 6,830 |
| Other Outgo | 443,671 | 443,671 | 454,302 | (10,631) |
| Total Expenditures | 167,515,640 | 177,270,340 | 171,763,345 | 5,520,655 |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | (594,616) | (7,853,901) | 5,270,574 | 13,138,135 |
| Other Financing Sources and Uses | | | | |
| Interfund Transfers Out | (845,300) | (107,554) | (927,706) | (820,152) |
| Total Other Financing Sources and Uses | (845,300) | (107,554) | (927,706) | (820,152) |
| Excess (Deficiency) of Revenues and Other | | | | |
| Financing Sources Over (Under) | | | | |
| Expenditures and Other Financing Uses | (1,439,916) | (7,961,455) | 4,342,868 | 12,317,983 |
| Fund Balances, July 1, 2008 | 20,357,730 | 20,357,730 | 20,357,730 | - |
| Fund Balances, June 30, 2009 | \$ 18,917,814 | \$ 12,396,275 | \$ 24,700,598 | \$ 12,317,983 |

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress and Employer Contributions
For the Fiscal Year Ended June 30, 2009

The following schedule shows the District's actuarially determined funding progress for other postemployment benefits.

| Actuarial Valuation Date | Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|--------------------|--|---------------------------|-----------------|--------------------|--|
| 5/10/2006 | \$ - | \$ 8,958,856 | \$ 8,958,856 | 0% | \$ 110,971,050 | 8% |
| 4/1/2009 | \$ - | \$ 6,935,923 | \$ 6,935,923 | 0% | \$ 110,971,050 | 6% |

Supplementary Information Section

OCEANSIDE UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2009

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-five schools: Cesar Chavez Middle School, 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 |
| Adrianne Hakes, Ed. D | President | December, 2012 |
| Emily Ortiz Wichmann. | Vice President | December, 2010 |
| Lillian V. Adams | Clerk | December, 2010 |
| Janet Bledsoe Lacy | Member | December, 2010 |
| Mike Blessing | Member | December, 2012 |

DISTRICT ADMINISTRATORS

Larry Perondi
Superintendent

Dr. Robyn Phillips
Senior Associate Superintendent, Business Services

Dr. Luis Ibarra
Associate Superintendent, Human Resources

Duane Coleman
Associate Superintendent, Education Services

Karen Huddleston
Controller

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2009

| | Second Period Report | Annual Report |
|---------------------------------------|-------------------------|------------------------|
| Elementary: | | |
| Kindergarten | 1,701 | 1,698 |
| Grades 1 Through 3 | 4,689 | 4,669 |
| Grades 4 Through 6 | 4,308 | 4,287 |
| Grades 7 and 8 | 2,700 | 2,683 |
| Home and Hospital | 5 | 5 |
| Special Education | 482 | 482 |
| Community Day School | 4 | 5 |
| | <hr/> | <hr/> |
| Total Elementary | 13,889 | 13,829 |
| | <hr/> | <hr/> |
| Secondary: | | |
| Grades 9 Through 12, regular classes | 5,157 | 5,094 |
| Continuation Education | 182 | 177 |
| Home and Hospital | 7 | 7 |
| Special Education | 289 | 288 |
| | <hr/> | <hr/> |
| Total Secondary | 5,635 | 5,566 |
| | <hr/> | <hr/> |
| Classes for Adults: | | |
| Not Concurrently Enrolled | 102 | 104 |
| | <hr/> | <hr/> |
| Total Adult Classes | 102 | 104 |
| | <hr/> | <hr/> |
| Total Average Daily Attendance | 19,626 | 19,499 |
| | <hr/> | <hr/> |
| <u>Supplemental Instruction Hours</u> | | Hours of Attendance |
| | | <hr/> |
| Secondary | | 295,663 |

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2009

| Grade Level | 1982-83 Actual Minutes | 1986-87 Minutes Requirement | 2008-09 Actual Minutes | Number of Days Traditional Calendar | Status |
|--------------|---------------------------|-----------------------------------|---------------------------|---|----------|
| Kindergarten | 36,000 | 36,000 | 36,000 | 180 | Complied |
| Grade 1 | 45,000 | 50,400 | 53,125 | 180 | Complied |
| Grade 2 | 45,000 | 50,400 | 53,125 | 180 | Complied |
| Grade 3 | 45,000 | 50,400 | 53,125 | 180 | Complied |
| Grade 4 | 50,000 | 54,000 | 54,280 | 180 | Complied |
| Grade 5 | 50,000 | 54,000 | 54,280 | 180 | Complied |
| Grade 6 | 50,000 | 54,000 | 54,280 | 180 | Complied |
| Grade 7 | 55,000 | 54,000 | 62,730 | 180 | Complied |
| Grade 8 | 55,000 | 54,000 | 62,730 | 180 | Complied |
| Grade 9 | 61,300 | 64,800 | 65,328 | 180 | Complied |
| Grade 10 | 61,300 | 64,800 | 65,328 | 180 | Complied |
| Grade 11 | 61,300 | 64,800 | 65,328 | 180 | Complied |
| Grade 12 | 61,300 | 64,800 | 65,328 | 180 | Complied |

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2009

| General Fund | (Budget) 2010*** | 2009 | 2008 | 2007 |
|--|---------------------|----------------|----------------|----------------|
| Revenues and other financing sources | \$ 163,474,051 | \$ 177,033,919 | \$ 172,300,196 | \$ 172,399,273 |
| Expenditures and Other uses and transfers out | 166,455,855 | 172,691,051 | 174,111,690 | 170,482,309 |
| Change in fund balance (deficit) | (2,981,804) | 4,342,868 | (1,811,494) | 1,916,964 |
| Ending fund balance | \$ 21,851,303 | \$ 24,700,598 | \$ 20,357,730 | \$ 26,980,360 |
| Available reserves* | \$ 4,993,676 | \$ 5,634,286 | \$ 6,967,434 | \$ 10,422,831 |
| Available reserves as a percentage of total outgo | 3.1% | 3.2% | 4.0% | 6.0% |
| Total long-term debt | \$ 168,052,706 | \$ 170,879,931 | \$ 120,882,261 | \$ 122,914,442 |
| Average daily attendance at P-2** | 19,534 | 19,524 | 19,196 | 19,179 |

The General Fund balance has decreased by \$2,279,762 over the past two years. The fiscal year 200-10 adopted budget projects a decrease of \$2,981,804. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

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

** Excludes Adult Education.

*** Adopted September 2009.

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | 2008-09 Federal Expenditures |
|--|---------------------------|--|------------------------------------|
| Federal Programs: | | | |
| U.S. Department of Agriculture: | | | |
| Passed through California Dept. of Education (CDE): | | | |
| National School Lunch | 10.555 | 13396 | \$ 3,560,357 |
| Basic School Breakfast | 10.553 | 13390 | 74,420 |
| Meal Supplements | 10.553 | 13390 | 146,262 |
| Needy School Breakfast | 10.553 | 13390 | 902,215 |
| Summer Food Service | 10.559 | 13004 | 66,065 |
| Total U.S. Department of Agriculture | | | <u>4,749,319</u> |
| U.S. Department of Education: | | | |
| Passed through California Dept. of Education (CDE): | | | |
| No Child Left Behind Act (NCLB) | | | |
| Title I, Part A, Low Income and Neglected | 84.010 | 13797 | 5,608,962 |
| Title I, Part A, Program Improvement, District Intervention | 84.010A | 14581 | 29,177 |
| ARRA - Title I | 84.389 | 15005 | 275 |
| Subtotal Title I, Part A | | | <u>5,638,414</u> |
| Title II, Part D, Enhancing Education Through Technology | 84.318 | 14334 | 49,017 |
| Title II, Part A, Improving Teacher Quality | 84.367 | 14341 | 1,346,389 |
| Title II, Part A, Principal Training | 84.367 | 14334 | 102 |
| Title III, Immigrant Education Program | 84.365 | 14346 | 43,125 |
| Title III, Part A, Limited English Proficiency | 84.365 | 10084 | 401,849 |
| Title IV, Safe and Drug Free Schools | 84.186 | 14347 | 92,670 |
| Title V, Part A, Innovative Education Strategies | 84.298 | 14354 | 14,377 |
| Subtotal NCLB | | | <u>1,947,529</u> |
| Vocational Education | 84.048 | 13924 | 164,511 |
| Migrant Education | 84.011 | 14326 | 224,511 |
| School Based Student Drug Testing | 84.011 | n/a | 36,096 |
| Unrestricted: Federal Impact-Aid-Unrestricted | 84.041 | 10015 | 4,711,579 |
| Adult Basic Education Act: | | | |
| English Literacy and Civics Education | 84.002A | 14109 | 94,230 |
| Individuals with Disabilities Act IDEA: | | | |
| Basic Local Assistance Entitlement | 84.027 | 13379 | 3,750,530 |
| Preschool Staff Development | 84.173 | 13431 | 979 |
| Preschool Grants, Part B | 84.173 | 13430 | 375,539 |
| Total U.S. Department of Education | | | <u>16,943,918</u> |
| U.S. Department of Health & Human Services: | | | |
| Passed through California Dept of Health Services: | | | |
| Medi-Cal Billing Options | 93.778 | 10013 | 73,734 |
| Quality Improvement Child Care Resource Program | 93.575 | 14130 | 6,650 |
| Total U.S. Department of Health & Human Services | | | <u>80,384</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 21,773,621</u> |

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2009

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

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2009

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

| <u>Charter School</u> | <u>Inclusion in Financial Statements</u> |
|--------------------------------|--|
| Pacific View Charter School | Not included |
| Coastal Academy Charter School | Not included |

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2009

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.

Sub-recipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to sub-recipients.

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.

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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Oceanside Unified School District
Oceanside, California

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

We have audited the financial statements of Oceanside Unified School District as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated November 22, 2009. 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.

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 prevented or detected by the District'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 cursive script that reads "Nigro Nigro & White, PC".

San Diego, California
November 22, 2009



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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 fiscal year ended June 30, 2009. 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, 2009.

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
November 22, 2009



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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 fiscal year ended June 30, 2009, and have issued our report thereon dated November 22, 2009. 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 2008-09*, 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 |
| Independent Study | 23 | Yes |
| Continuation Education | 10 | Yes |
| Adult Education | 9 | Not applicable ¹ |
| 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 | No (see below) |
| Morgan-Hart Class Size Reduction Program | 7 | Not applicable ¹ |

| Description | Procedures in Audit Guide | Procedures Performed |
|---|------------------------------|-----------------------------|
| Instructional Materials: | | |
| General Requirements | 12 | 1 ² |
| K-8 only | 1 | Not applicable ¹ |
| Grades 9-12 only | 1 | Not applicable ¹ |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early Retirement Incentive Program | 4 | Not applicable |
| Gann Limit Calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Mathematics and Reading Professional Development | 4 | Not applicable ¹ |
| Class Size Reduction Program: | | |
| General Requirements | 7 | Yes |
| Option One | 3 | Yes |
| Option Two | 4 | Yes |
| Districts with only one school serving K-3 | 4 | Not applicable |
| After School Education and Safety Program: | | |
| General Requirements | 4 | Yes |
| After School | 4 | Yes |
| Before School | 5 | 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 |

¹ This program is not required to be audited per flexibility provisions in SBx3 4.

² The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

We did not perform testing for the Community Day School 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.

Nigro Nigro & White, PC

San Diego, California
November 22, 2009

Findings and Questioned Costs Section

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

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: | |
| CFDA Numbers | <u>Name of Federal Program or Cluster</u> |
| 10.553-10.565 | <u>NSLP Cluster</u> |
| 84.041 | <u>Federal Impact Aid</u> |

| | |
|---|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 653,209</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
For the Fiscal Year Ended June 30, 2009

Section II – Financial Statement Findings

This section identifies the significant deficiencies, 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 |
| 61000 | Classroom Teacher Salaries |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

There were no audit findings related to the financial statements in 2008-09.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

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., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no audit findings and questioned costs related to federal awards during 2008-09.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

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 2008-09

OCEANSIDE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2009

There were no audit findings and questioned costs during 2007-08.