

**OCEANSIDE
UNIFIED SCHOOL DISTRICT**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2010**

christy **WHITE** *A Professional Accountancy Corporation*

OCEANSIDE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2010
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Board of Trustees
Oceanside Unified School District
Oceanside, California

INDEPENDENT AUDITOR'S 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, 2010, 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, 2010, 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 24, 2010 on our consideration of the Oceanside Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 and the required supplementary information listed in the table of contents as pages 51 and 52 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.

Chintal Patel Accountancy Corporation

San Diego, California
November 24, 2010

Management's Discussion and Analysis

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

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, 2010.

FINANCIAL HIGHLIGHTS

- General Fund revenues fell behind expenditures and other outgo by \$9.7 million in 2009-10, due to reductions in state funding and the expenditure of one-time federal State Fiscal Stabilization Funds received at the end of fiscal year 2008-09. The General Fund balance was \$15 million with available reserves of 3.9%.
- The District continued to maintain minimum state-required reserves, with \$6.6 million designated for economic uncertainties at year-end.
- Student average daily attendance decreased by 392 pupils in 2009-10 due to reduced enrollment compared to the prior year.
- The second phase of modernization for El Camino High School was completed in October 2009, while the modernization and new construction of Del Rio Elementary was completed in February 2010. Improvements to Lincoln Middle School started in July 2009 and were completed in June 2010, just in time for the next school year. Renovation began in January 2010 for the athletic facilities at both El Camino and Oceanside High Schools. The District will continue to use the swing sites at the Ditmar and Pacifica locations for temporary housing when construction begins for Santa Margarita and Libby Elementary schools in 2010-11. Plans for architectural designs are still in process for several elementary and middle school projects to be modernized out of future Prop H bond proceeds. Total capital outlay for facility construction came to \$34.3 million for the 2009-10 fiscal year.
- District long-term liabilities increased by \$33.3 million, due to the issuance of 2008 Election Series A and unfunded other post-employment liability.
- Overall, net assets decreased by \$14 million for the District as a whole.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

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, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

Table A-1 below shows that district assets totaled \$361 million as of June 30, 2010. Cash deposits with the County Treasury represent a significant component of district assets at \$73 million. Facilities represent the largest component, with buildings valued at \$241 million plus an additional \$37 million for facilities under construction (work in progress). Land plus site improvements are valued at \$24 million and equipment at \$16 million. It should be noted that all capital assets are valued at *historical cost less depreciation, not market value*. The current market value for land owned by the district is considerably larger than reported here.

Liabilities totaled \$226 million on June 30, 2010. General obligation bond debt issued for facility construction and modernization constitutes the majority. Other long-term liabilities include \$0.63 million in outstanding obligations for Certificates of Participation (COPs).

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

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Current assets	\$ 104,911,842	\$ 102,090,927	-3%
Noncurrent assets	230,134,327	258,627,660	12%
Total assets	335,046,169	360,718,587	8%
Current liabilities	18,093,497	24,735,333	37%
Noncurrent liabilities	168,052,706	201,380,026	20%
Total liabilities	186,146,203	226,115,359	21%
Total net assets	\$ 148,899,966	\$ 134,603,228	-10%

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

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 \$135 million on June 30, 2010. This represents a *decrease* of \$14 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
	2009	2010	2009-10
Beginning Net Assets	\$ 144,750,758	\$ 148,899,966	3%
Ending Net Assets	148,899,966	134,603,228	-10%
Change in Net Assets	<u>\$ 4,149,208</u>	<u>\$ (14,296,738)</u>	-445%

Revenues and Expenditures for Governmental Activities

Overall, the district expended \$190 million in 2009-10, whereas revenues totaled \$176 million. This represents a 2% decrease in expenditures from the prior year, primarily due 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 maintenance and operations costs account for 9%, while purely administrative costs account for about 5% of total expense.

Total government-wide revenues for 2009-10 were \$176 million, a decrease of 12% 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 \$41.8 million. Interest and investment earnings generated \$0.51 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, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-3
Changes in Oceanside Unified School District's Net Assets

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 4,834,178	\$ 4,693,668	-3%
Operating grants and contributions	51,709,200	41,757,579	-19%
Capital grants and contributions	2,539,305	24,351	-99%
<i>General revenues</i>			
Property taxes	45,202,971	49,148,721	9%
Other revenues	94,664,413	80,046,792	-15%
Total revenues	198,950,067	175,671,111	-12%
Expenses:			
Instruction-related	135,648,132	131,268,415	-3%
Student support services	21,536,646	22,147,053	3%
Maintenance and operations	20,622,764	17,203,000	-17%
Administration	8,819,766	9,994,623	13%
Other expenses	8,173,551	9,354,758	14%
Total expenses	194,800,859	189,967,849	-2%
Change in net assets	\$ 4,149,208	\$ (14,296,738)	-445%

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

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 \$157.2 million for 2009-10, down by \$20 million or 11%, primarily due to declining state funding and the receipt of one-time ARRA funds at the end of fiscal year 2008-09. General Fund expenditures plus transfers totaled \$169.1 million, a decrease of \$3.5 million or 2% over the prior year. Employee salaries and benefits jointly comprise the largest share of expenditures at 88%, with benefits as the most rapidly growing component.

The \$15.0 million ending balance at June 30, 2010, included \$6.6 million reserves designated for economic uncertainty, representing 1% 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 \$231,880 for painting, heating and ventilation, asphalt repair, flooring and roofing, and ended the year with a balance of \$2.9 million.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

Capital Projects Funds

- The *Building Fund* accounts for the construction of capital facilities and buildings from the sale of bond proceeds. A total of \$29,999,991 in Proposition H General Obligation bonds were issued during the year. Around \$14,320,000 in bonds were also refunded in 2009-10. A carryover balance of \$44.8 million from the previous year, plus interest of \$367,983 provided matching funding for completion of the modernization at El Camino High and Lincoln Middle Schools. 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; and to complete renovation of the athletic facilities at both El Camino & Oceanside High Schools. Expenditures for facility construction totaled \$34.3 million for the year, in accordance with the Facility Master Plan adopted in 2000.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees. This year local construction activity generated fee revenue of \$333,620, which is earmarked for facilities to accommodate enrollment growth. An additional \$270,286 was received from community redevelopment funds. The district expended \$402,973 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 no revenue in 2009-10, but utilized \$4.4 million of savings from prior year carry-over funds for El Camino High as matching funds for both the modernization at Del Rio Elementary and Lincoln Middle School.

Debt Service Funds

- The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for the repayment of district general obligation bonds.

Proprietary Funds

- The *Self-Insurance Fund* is used to separate monies associated with the self-insurance activities of the district. Ending balance reserves of \$1.4 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, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2009-10, the District invested \$34.3 million in capital assets, mostly for facility construction and modernization funded from local and state bond proceeds. El Camino and Oceanside High Schools are currently undergoing athletic field renovations, which 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. We are also planning to start modernization of both Santa Margarita and Libby Elementary Schools in the next fiscal year.

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 \$44.3 million were issued during the year and \$13.7 million in bonds were refunded. On net, total debt increased \$32.4 million during 2009-10.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

The state's budget situation continues to reflect challenging economic conditions. The 2010 State Budget was balanced on optimistic state and federal revenue projections, the sale of state properties, additional borrowings, and the suspension of the Proposition 98 minimum guarantee. While the state's economy continues to gradually recover along with the nation's, a relatively slow pace of job growth in California presents a headwind for a more rapid rate of economic recovery.

The state's budget challenges have adversely impacted the K-12 education budget. As a result, the average unified school district in the state of California in 2010-11 is expected to lose approximately \$25 per unit of average daily attendance over 2009-10 in revenue limit state funding, to an average funded revenue limit of approximately \$6,386 per unit of average daily attendance. However, a corresponding decrease in the deficit factor offsets the loss keeping funding levels in 2010-11 the same as 2009-10, and without the \$253 per ADA one-time funding reduction experienced in 2009-10.

Federal funding for categorical programs was given another one-time funding boost in 2010-11 with the Education Jobs Act funding. In addition, the final 10% of the State Fiscal Stabilization funds, part of the American Recovery and Reinvestment Act (ARRA), are to be paid in 2010-11. ARRA funds must be spent prior to the September 30, 2011.

State categorical program flexibility continues for 2009-10 and 2010-11 with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed for two more years and school agencies maintain the flexibility to shorten the school year until 2012-13. Reserve requirements for economic uncertainties, if reduced by school agencies, must be fully restored by 2011-12.

Other Factors

Enrollment

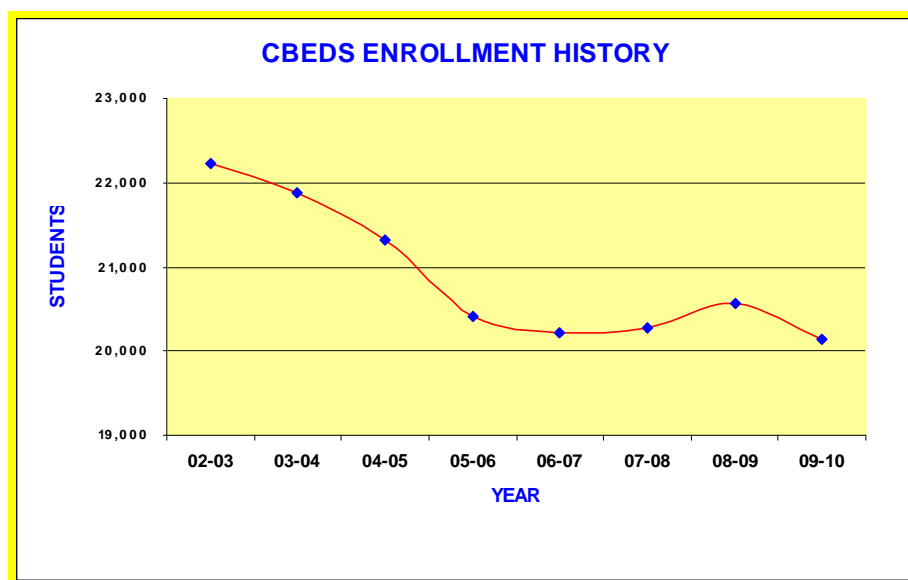
Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Other Factors (continued)

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



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, 2010

	Total Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 73,100,311
Accounts receivable	26,086,104
Inventories	274,997
Prepaid expenses	2,629,515
Total current assets	<u>102,090,927</u>
Noncurrent assets:	
Capital assets:	
Land	16,825,171
Site improvements	7,481,923
Buildings	240,872,635
Furniture and equipment	16,034,303
Construction in progress	36,917,772
Less accumulated depreciation	<u>(59,504,144)</u>
Total capital assets, net of depreciation	<u>258,627,660</u>
Total noncurrent assets	<u>258,627,660</u>
Total assets	<u>360,718,587</u>
LIABILITIES	
Current liabilities:	
Accounts payable	11,050,085
Deferred revenue	1,699,501
Current loans	10,105,747
Certificates of participation payable	305,000
General obligation bonds payable	1,575,000
Total current liabilities	<u>24,735,333</u>
Noncurrent liabilities:	
Compensated absences payable	861,845
Certificates of participation payable	320,000
General obligation bonds payable	195,913,934
Unamortized premiums on long-term debt	3,913,606
Other postemployment benefits	370,641
Total noncurrent liabilities	<u>201,380,026</u>
Total liabilities	<u>226,115,359</u>
NET ASSETS	
Invested in capital assets, net of related debt	112,676,235
Restricted for:	
Debt service	6,290,671
Educational programs	5,700,893
Unrestricted	9,935,427
Total net assets	<u>\$ 134,603,228</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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
					Governmental
					Activities
Primary government:					
Governmental activities:					
Instructional services:					
Instruction	\$ 111,607,196	\$ 192,472	\$ 23,120,908	\$ 24,351	\$ (88,269,465)
Instruction-related services:					
Supervision of instruction	3,823,232	42,168	1,837,970	-	(1,943,094)
Instructional library, media					
and technology	3,294,353	3,445	72,145	-	(3,218,763)
School site administration	12,543,634	5,170	3,824,362	-	(8,714,102)
Pupil support services:					
Home-to-school transportation	6,550,249	133,773	2,584,003	-	(3,832,473)
Food services	7,105,526	1,482,770	5,633,401	-	10,645
All other pupil services	8,491,278	206	1,197,454	-	(7,293,618)
General administration services:					
Data processing services	2,681,666	46,128	45,650	-	(2,589,888)
Other general administration	7,312,957	87,084	859,538	-	(6,366,335)
Plant services	17,203,000	14,982	128,102	-	(17,059,916)
Ancillary services	131,782	-	-	-	(131,782)
Community services	215,125	9,549	8,660	-	(196,916)
Interest on long-term debt	7,963,693	-	-	-	(7,963,693)
Other outgo	1,044,158	2,675,921	2,445,386	-	4,077,149
Total governmental activities	<u>\$ 189,967,849</u>	<u>\$ 4,693,668</u>	<u>\$ 41,757,579</u>	<u>\$ 24,351</u>	<u>(143,492,251)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					40,927,599
Property taxes, levied for debt service					7,953,098
Property taxes, levied for other specific purposes					268,024
Federal and state aid not restricted					
to specific purpose					77,929,416
Interest and investment earnings					506,785
Miscellaneous					1,610,591
					<u>129,195,513</u>
					Change in net assets
					(14,296,738)
					Net assets - July 1, 2009
					148,899,966
					Net assets - June 30, 2010
					<u>\$ 134,603,228</u>

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,113,701	\$ 47,024,569	\$ 15,870,782	\$ 72,009,052
Accounts receivable	24,445,115	73,130	1,125,345	25,643,590
Due from other funds	155,547	-	88,657	244,204
Inventories	50,082	-	224,915	274,997
Prepaid expenditures	128,000	-	-	128,000
Total assets	<u>\$ 33,892,445</u>	<u>\$ 47,097,699</u>	<u>\$ 17,309,699</u>	<u>\$ 98,299,843</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,007,521	\$ 1,766,052	\$ 225,141	\$ 8,998,714
Due to other funds	75,793	24,741	143,670	244,204
Deferred revenue	1,699,501	-	-	1,699,501
Current loans	10,105,747	-	-	10,105,747
Total liabilities	<u>18,888,562</u>	<u>1,790,793</u>	<u>368,811</u>	<u>21,048,166</u>
FUND BALANCES				
Reserved for:				
Inventories	50,082	-	224,914	274,996
Revolving cash	80,000	-	10,000	90,000
Prepaid expenditures	128,000	-	-	128,000
Debt service	-	-	6,290,671	6,290,671
Categorical programs	5,700,893	-	-	5,700,893
Unreserved; reported in:				
General fund	9,044,908	-	-	9,044,908
Special revenue funds	-	-	6,063,588	6,063,588
Capital project funds	-	45,306,906	4,351,715	49,658,621
Total fund balances	<u>15,003,883</u>	<u>45,306,906</u>	<u>16,940,888</u>	<u>77,251,677</u>
Total liabilities and fund balances	<u>\$ 33,892,445</u>	<u>\$ 47,097,699</u>	<u>\$ 17,309,699</u>	<u>\$ 98,299,843</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, 2010

Total fund balances - governmental funds		\$	77,251,677	
Amounts reported for governmental <i>activities</i> 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 capital assets is \$318,131,804 and the accumulated depreciation is (59,504,144).			258,627,660	
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(1,801,640)	
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 assets on the government-wide statement of net assets are:			2,431,515	
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:				
	Compensated absences payable	\$	861,845	
	Certificates of participation payable		625,000	
	General obligation bonds payable		197,488,934	
	Unamortized premiums on long-term debt		3,913,606	
	Other postemployment benefits		370,641	(203,260,026)
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:			1,354,041	
Total net assets - governmental activities		\$	<u>134,603,227</u>	

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, 2010

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
General revenues:				
Property taxes	\$ 40,927,601	\$ -	\$ 8,221,122	\$ 49,148,723
Federal and state aid not restricted to specific purpose	77,361,162	-	568,254	77,929,416
Interest and investment earnings	421,495	-	85,291	506,786
Miscellaneous	1,191,013	-	334,245	1,525,258
Program revenues:				
Charges for services	3,133,359	-	1,560,309	4,693,668
Operating grants and contributions	34,199,039	367,983	7,190,557	41,757,579
Capital grants and contributions	-	-	24,351	24,351
Total revenues	<u>157,233,669</u>	<u>367,983</u>	<u>17,984,129</u>	<u>175,585,781</u>
EXPENDITURES				
Instructional services:				
Instruction	109,037,875	-	1,351,454	110,389,329
Instruction-related services:				
Supervision of instruction	3,581,212	-	169,690	3,750,902
Instructional library, media and technology	1,535,423	-	-	1,535,423
School site administration	12,535,254	-	5,976	12,541,230
Pupil support services:				
Home-to-school transportation	6,262,332	-	-	6,262,332
Food services	33,659	-	6,488,816	6,522,475
All other pupil services	8,494,841	-	660	8,495,501
General administration services:				
Data processing services	1,958,591	-	-	1,958,591
Other general administration	6,556,908	-	400,992	6,957,900
Plant services	15,689,418	137,773	642,562	16,469,753
Facility acquisition and construction	82,119	29,747,458	4,442,488	34,272,065
Ancillary services	131,782	-	-	131,782
Community services	212,305	-	-	212,305
Other outgo:				
Transfers between agencies	108,970	-	-	108,970
Debt service - principal	316,000	-	2,545,000	2,861,000
Debt service - interest	42,053	-	6,502,340	6,544,393
Debt service - issuance costs and discounts	311,363	1,813,517	-	2,124,880
Total expenditures	<u>166,890,105</u>	<u>31,698,748</u>	<u>22,549,978</u>	<u>221,138,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,656,436)</u>	<u>(31,330,765)</u>	<u>(4,565,849)</u>	<u>(45,553,050)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	2,298,551	2,298,551
Interfund transfers out	(2,298,551)	-	-	(2,298,551)
Proceeds from long-term debt	-	44,319,991	-	44,319,991
All other financing sources	2,258,272	1,731,780	(1,388,501)	2,601,551
All other financing uses	-	(14,238,263)	-	(14,238,263)
Total other financing sources and uses	<u>(40,279)</u>	<u>31,813,508</u>	<u>910,050</u>	<u>32,683,279</u>
Net change in fund balances	(9,696,715)	482,743	(3,655,799)	(12,869,771)
Fund balances, July 1, 2009	<u>24,700,598</u>	<u>44,824,163</u>	<u>20,596,687</u>	<u>90,121,448</u>
Fund balances, June 30, 2010	<u>\$ 15,003,883</u>	<u>\$ 45,306,906</u>	<u>\$ 16,940,888</u>	<u>\$ 77,251,677</u>

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, 2010

Total net change in fund balances - governmental funds \$ (12,869,771)

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	\$ 34,257,453	
Depreciation expense	<u>(5,849,998)</u>	28,407,455

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 3,008,371

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (33,562,905)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period was: 1,921,941

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: 85,881

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: (1,419,300)

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (2,432)

In governmental funds, OPEB costs are recognized whether 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: (16,052)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. This net increase or decrease in internal service funds was: 150,074

Change in net assets of governmental activities \$ (14,296,738)

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Statement of Fund Assets – Proprietary Funds
June 30, 2010

	Governmental Activities: Self-Insurance Fund
ASSETS	
Cash	\$ 1,091,259
Accounts receivable	442,514
Prepaid expenditures	70,000
Total assets	<u>1,603,773</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>249,732</u>
Total liabilities	<u>249,732</u>
NET ASSETS	
Unrestricted	<u>1,354,041</u>
Total net assets	<u>\$ 1,354,041</u>

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, 2010

	Governmental Activities: Internal Service Fund
OPERATING REVENUES	
Charges to other funds	\$ 4,801,728
Other local revenues	175,805
Total operating revenues	<u>4,977,533</u>
OPERATING EXPENSES	
Insurance expense	<u>4,837,455</u>
Total operating expenses	<u>4,837,455</u>
Operating income	<u>140,078</u>
NON-OPERATING REVENUES	
Interest income	<u>9,996</u>
Total non-operating revenue	<u>150,074</u>
Change in net assets	<u>150,074</u>
Net assets, July 1, 2009	<u>1,203,967</u>
Net assets, June 30, 2010	<u>\$ 1,354,041</u>

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, 2010

	Governmental Activities: Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 4,942,125
Cash payments for payroll, insurance and operating costs	(4,885,255)
Net cash provided by operating activities	<u>56,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>9,996</u>
Net cash provided by (used in) investing activities	<u>9,996</u>
Net increase in cash	66,866
Cash, July 1, 2009	<u>1,024,393</u>
Cash, June 30, 2010	<u><u>\$ 1,091,259</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 140,078
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(35,408)
Increase in prepaid expenditures	(70,000)
Increase in accounts payable	<u>22,200</u>
Net cash provided by operating activities	<u><u>\$ 56,870</u></u>

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, 2010

	Agency Funds
ASSETS	
Cash	\$ 467,351
Accounts receivable	1,768
Due from other funds	49,615
Total assets	<u>\$ 518,734</u>
LIABILITIES	
Due to student groups	\$ 518,734
Total liabilities	<u>\$ 518,734</u>

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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 funds, 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, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Scope of Public Service:

The District has one such component unit, the Oceanside Unified School District School Facilities Corporation. 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

Oceanside School District (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, 2010

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 presents 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, 2010

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 funds 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, 2010

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, 2010

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, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

- ***Capital Projects Funds*** are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains two non-major capital projects fund:
 1. The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
 2. The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under 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, 2010

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 supplementary information.

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.

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 historical 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."

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, 2010

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 estimated 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 resignations 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, 2010

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. 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 and any premiums or discounts are reported as other financing sources and 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, 2010

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 January 1, which is also the lien date. 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 (January 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. The balance is paid from the state General Fund, and is known as the State Apportionment. The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Use of Estimates

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

K. New GASB Pronouncement

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is required to be implemented in the 2010-11 fiscal year.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

	Governmental funds	Proprietary funds	Fiduciary funds
Cash in county treasury	\$ 71,467,042	\$ 1,091,259	\$ -
Cash on hand and in banks	118,507	-	467,351
Cash in revolving fund	90,000	-	-
Cash with fiscal agent	333,503	-	-
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 72,009,052</u>	<u>\$ 1,091,259</u>	<u>\$ 467,351</u>

Policies and Practices

Governmental agencies in the state of California are 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 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. Investments of debt proceeds held by trustees are governed by the provisions of the applicable agreements rather than the general provisions of the California Government Code.

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 its County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is disclosed in the notes to the 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 recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

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, 2010

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 website. The table below identifies examples 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 \$77,983,622 and an amortized book value of \$72,558,301. The average weighted maturity for this pool is 425 days. In addition, the District maintains investments in JP Morgan money market funds with an amortized cost of \$333,503. Fair value for this investment approximates amortized cost.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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, 2010, the District's bank balance of \$675,858 was not exposed to custodial credit risk because the first \$250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining \$217,351 was collateralized with securities held by the pledging financial institution's trust department or agency.

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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010 consist of the following:

	Governmental Funds	Proprietary Funds	Fiduciary Funds
Federal	\$ 4,032,554	\$ -	\$ -
State categorical	2,117,570	-	-
Other	19,493,466	442,514	1,768
Total accounts receivable	<u>\$ 25,643,590</u>	<u>\$ 442,514</u>	<u>\$ 1,768</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2010 is shown below:

	Beginning Balance July 1, 2009	Additions	Deductions	Ending Balance June 30, 2010
Land	\$ 16,825,171	\$ -	\$ -	\$ 16,825,171
Work in progress	37,307,319	27,399,577	27,789,124	36,917,772
Site improvements	7,481,923	-	-	7,481,923
Buildings and improvements	206,225,635	34,647,000	-	240,872,635
Furniture and equipment	16,100,670	-	66,367	16,034,303
Total at historical cost	<u>283,940,718</u>	<u>62,046,577</u>	<u>27,855,491</u>	<u>318,131,804</u>
Less accumulated depreciation:				
Site improvements	3,885,270	2,637	-	3,887,907
Buildings	37,078,020	4,703,877	547	41,781,350
Furniture and equipment	12,843,101	1,143,485	151,699	13,834,887
Total accumulated depreciation	<u>\$ 53,806,391</u>	<u>\$ 5,849,999</u>	<u>\$ 152,246</u>	<u>\$ 59,504,144</u>
Governmental activities capital assets, net	<u>230,134,327</u>	<u>56,196,578</u>	<u>27,703,245</u>	<u>258,627,660</u>

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

Instruction	\$ 1,178,682
Supervision	83,221
Library	1,759,553
Transportation	307,418
Food Services	651,374
Gen Admin	370,981
IS	775,374
Plant Services	723,395
Total	<u>\$ 5,849,998</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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, expenditures and expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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 2009-10 fiscal year consisted of the following:

	<u>Interfund Transfer Out</u>
	General
	Fund
Other Governmental Funds	<u>\$ 2,298,551</u>
Total	<u>\$ 2,298,551</u>
Transfer from the General Fund to Deferred Maintenance for State required match	\$ 2,228,046
Transfer from the General Fund to Adult Education Fund for allocation of expenses due to the flexibility transfer	<u>70,505</u>
Total	<u>\$ 2,298,551</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 5 - INTERFUND ACTIVITIES (continued)

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances as of June 30, 2010 are as follows:

	Due To Other Funds			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 15,172	\$ 140,375	\$ 155,547
Other Governmental Funds	75,793	9,569	3,295	88,657
Total	<u>\$ 75,793</u>	<u>\$ 24,741</u>	<u>\$ 143,670</u>	<u>\$ 244,204</u>
General Fund due to Child Development Fund for allocation of expenses				\$ 8,238
General Fund due to Child Development Fund for indirect charges				78
General Fund due to Cafeteria Fund for revenue received				6,635
General Fund due to Cafeteria Fund for allocation of expenses				94
General Fund due to Adult Education Fund for revenue received				47,128
General Fund due to Adult Education Fund for indirect charges				13,620
Adult Education Fund due to General Fund for OPEB				300
Adult Education Fund due to General Fund for workers compensation				879
Adult Education Fund due to General Fund for allocation of expenses				504
Child Development Fund due to General Fund for preschool rent				43,167
Child Development Fund due to General Fund for PERS reduction				974
Child Development Fund due to General Fund for OPEB				2,472
Child Development Fund due to General Fund for workers compensation				5,712
Child Development Fund due to General Fund for allocation of expenses				3,689
Child Development Fund due to Cafeteria Fund for revenue				3,295
Cafeteria Fund due to General Fund for PERS reduction				10,990
Cafeteria Fund due to General Fund for indirect charges				30,438
Cafeteria Fund due to General Fund for allocation of expenses				2,879
Cafeteria Fund due to General Fund for workers compensation				19,928
Cafeteria Fund due to General Fund for OPEB				8,418
Building Fund due to Other Governmental Fund for Office Depot				69
Building Fund due to General Fund for PERS reduction				347
Building Fund due to General Fund for OPEB				192
Building Fund due to General Fund for workers compensation				462
Building Fund due to General Fund for other expenses/direct cost				14,171
Building Fund due to Capital Facilities Fund for temporary loan				9,500
Capital Facilities Fund due to General Fund for OPEB				16
Capital Facilities Fund due to General Fund for Developer Fees				10,008
County School Facilities Fund due to Building Fund for interest revenue				1
Total				<u>\$ 244,204</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 6 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
General obligation bonds	\$ 167,265,503	\$ 32,768,431	\$ 2,545,000	\$ 197,488,934	\$ 1,575,000
General obligation bonds premium	1,459,426	2,601,551	147,371	3,913,606	147,371
Capital leases	26,000	-	26,000	-	-
Certificates of participation	915,000	-	290,000	625,000	305,000
Compensated absences	859,413	2,432	-	861,845	-
Other postemployment benefits	354,589	447,676	431,624	370,641	-
Totals	<u>\$ 170,879,931</u>	<u>\$ 35,820,090</u>	<u>\$ 3,439,995</u>	<u>\$ 203,260,026</u>	<u>\$ 2,027,371</u>

A. General Obligation Bonds

Election of 2000 General Obligation Bond Authorization

The election of 2000 authorized \$125,000,000 in general obligation bonds issued in Series A through F. In 2009 and 2010, \$16,600,000 and \$14,320,000, respectively, in refunding bonds were issued to advance refund a portion of the original issuances. The proceeds associated with the refunding bonds were deposited in an escrow fund for future payment. The portion of the original bonds refunded are considered fully defeased and are not recorded on the financial statements. The total outstanding balance of Election 2000 bonds, including the refunding bonds, as of June 30, 2010 amounted to \$114,990,000.

Election of 2008 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. As of June 30, 2010, the District has issued \$79,995,045 and the amount outstanding as of June 30, 2010 was \$82,498,934, including \$2,503,888 in accreted interest.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 6 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The outstanding bonded debt of Oceanside Unified School District at June 30, 2010 is:

	Issue Date	Matutity Date	Interest Rate	Original Issue	Beginning Balance	Accreted Interest	Issued	Redeemed	Refunded	Ending Balance
2000 Election, Series A	06/15/00	08/01/30	5.0-8.0%	\$ 9,500,000	\$ 195,000	\$ -	\$ -	\$ 195,000	\$ -	\$ -
2000 Election, Series B	05/17/01	08/01/31	4.0-7.0%	20,000,000	12,085,000	-	-	435,000	11,650,000	-
2000 Election, Series C	03/21/02	08/01/32	4.1-7.0%	20,000,000	16,250,000	-	-	420,000	-	15,830,000
2000 Election, Series D	05/05/04	08/01/33	3.0-5.0%	25,000,000	23,340,000	-	-	530,000	1,195,000	21,615,000
2000 Election, Series E	06/22/05	08/01/04	3.0-5.0%	25,000,000	23,700,000	-	-	500,000	570,000	22,630,000
2000 Election, Series F	06/20/06	08/01/35	4.0-7.0%	25,500,000	24,715,000	-	-	465,000	255,000	23,995,000
2008 Election, Series A	03/04/09	08/01/31	3.8-8.0%	49,995,054	50,380,503	1,603,565	-	-	-	51,984,068
2009 GOB Refunding of 2000 Series A, B, C	03/04/09	08/01/35	3.0-4.25%	16,600,000	16,600,000	-	-	-	-	16,600,000
2008 Election, Series B	05/05/10	08/01/49	6.51-10.45%	29,999,991	-	514,875	29,999,991	-	-	30,514,866
2010 GOB Refunding of 2001 Series B, D, E, F	05/05/10	08/01/28	3.125-5.0%	14,320,000	-	-	14,320,000	-	-	14,320,000
				<u>\$ 235,915,045</u>	<u>\$ 167,265,503</u>	<u>\$ 2,118,440</u>	<u>\$ 44,319,991</u>	<u>\$ 2,545,000</u>	<u>\$ 13,670,000</u>	<u>\$ 197,488,934</u>

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2010, are as follows:

Fiscal Year	Principal*	Interest	Total
2010-11	\$ 1,575,000	\$ 6,075,407	\$ 7,650,407
2011-12	820,000	5,928,284	6,748,284
2012-13	555,000	6,371,918	6,926,918
2013-14	1,825,000	6,346,937	8,171,937
2014-15	2,652,133	6,322,286	8,974,419
2015-2020	25,240,478	35,400,334	60,640,812
2020-2025	39,128,061	31,818,469	70,946,530
2025-2030	40,954,398	42,550,069	83,504,467
2030-2035	51,381,885	28,642,187	80,024,072
2035-2040	11,161,732	51,820,348	62,982,080
2040-2045	10,389,654	79,811,032	90,200,686
2045-2050	9,301,705	110,608,606	119,910,311
Total	<u>\$ 194,985,046</u>	<u>\$ 411,695,877</u>	<u>\$ 606,680,923</u>

*Does not include accreted interest of \$2,503,888

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 6 – GENERAL LONG-TERM DEBT (continued)

B. 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, 2010 the principal balance outstanding on the certificates was \$625,000.

The certificates mature through 2012 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-2011	\$ 305,000	\$ 27,500	\$ 332,500
2011-2012	320,000	12,000	332,000
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 625,000</u>	<u>\$ 39,500</u>	<u>\$ 664,500</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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, 2010, there was \$24,529,067 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 \$12,920,000 of Tax Revenue Anticipation dated July 1, 2009 through the County of San Diego and San Diego District pool, Series 2009. 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 \$12,920,000 in principal plus \$257,682 interest be paid by June 30, 2010.

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, 2010

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>

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-10 was 9.709%. 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:

	Contribution	Percent of Required Contribution
2009-10	\$ 2,719,750	100%
2008-09	\$ 2,732,177	100%
2007-08	\$ 2,901,327	100%

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 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 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2009-10	\$ 7,188,791	100%
2008-09	\$ 7,342,660	100%
2007-08	\$ 7,628,994	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$3,718,130 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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.

NOTE 12 – FUND BALANCES

The following amounts were designated as follows:

	<u>General Fund</u>
Economic uncertainties	\$ 6,582,304
Other designations	<u>2,462,603</u>
Total designations	<u><u>\$ 9,044,907</u></u>

NOTE 13 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2010, expenditures exceeded appropriations in individual funds as follows:

General Fund:	
Classified salaries	\$ 309,689
Employee benefits	245,394
Transfers of indirect costs	20,428
Other outgo	8,970

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 14 – SUBSEQUENT EVENT

The District issued \$12,225,000 of Tax Revenue Anticipation on dated July 1, 2010 through the County of San Diego and San Diego School District pool, Series 2010. The notes mature on April 29, 2010 and yield 2.00% 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 \$12,225,000 in principal and \$202,392 in interest be paid by April 29, 2011.

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 April 1, 2009*

Number of participating employers	1
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OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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 April 1, 2009 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 2009-10, the District contributed \$431,624, which is 96% 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:

	<u>Amount</u>
Annual required contribution (ARC)	\$ 447,516
Interest on net OPEB obligation	1,754
Adjustment to ARC	<u>(1,593)</u>
Annual OPEB cost	447,677
Contributions made	<u>431,624</u>
Increase in net OPEB obligation	16,052

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-10 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 447,516	96%	\$ 370,641
2009	447,516	92%	354,589
2008	756,061	58%	436,553

OCEANSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

As of April 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	3.0%
Discount rate	5.0%
Healthcare cost trend rate	
Medical	4.0%

Required Supplementary Information

OCEANSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
REVENUES				
Revenue limit sources	\$ 103,373,222	\$ 97,282,673	\$ 97,303,239	\$ 20,566
Federal	24,824,321	27,802,871	22,829,735	(4,973,136)
Other state	21,351,394	22,009,154	22,325,162	316,008
Other local	13,925,114	15,622,152	14,775,533	(846,619)
Total revenues	163,474,051	162,716,850	157,233,669	(5,483,181)
EXPENDITURES				
Certificated salaries	88,616,358	89,379,475	87,931,652	1,447,823
Classified salaries	26,294,893	26,900,385	27,210,074	(309,689)
Employee benefits	31,846,341	32,088,091	32,333,485	(245,394)
Books and supplies	5,191,181	11,165,874	5,455,196	5,710,678
Services and other operating expenditures	14,370,546	16,209,545	13,699,417	2,510,128
Capital outlay	120,000	366,117	180,340	185,777
Transfers of indirect costs	(341,517)	(407,510)	(387,082)	(20,428)
Other outgo	358,053	458,053	467,023	(8,970)
Total expenditures	166,455,855	176,160,030	166,890,105	9,269,925
Excess (deficiency) of revenues over (under) expenditures	(2,981,804)	(13,443,180)	(9,656,436)	3,786,744
OTHER FINANCING SOURCES AND USES				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	(40,279)	(2,298,551)	(2,258,272)
Other sources	132,509	-	2,258,272	2,258,272
Other uses	-	-	-	-
Total other financing sources and uses	132,509	(40,279)	(40,279)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,849,295)	(13,483,459)	(9,696,715)	3,786,744
Fund balances, July 1, 2009	24,700,598	24,700,598	24,700,598	-
Fund balances, June 30, 2010	\$ 21,851,303	\$ 11,217,139	\$ 15,003,883	\$ 3,786,744

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2010

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
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, 2010

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-three schools: Cesar Chavez Middle School, Del Rio 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, Foussat 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
Ms. Emily Ortiz Wichmann	President	December, 2010
Ms. Lillian V. Adams	Vice President	December, 2010
Mr. Mike Blessing	Clerk	December, 2012
Ms. Janet Bledsoe Lacy	Member	December, 2010
Dr. Adrienne Hakes	Member	December, 2012

DISTRICT ADMINISTRATORS

Mr. Larry Perondi
Superintendent

Dr. Luis Ibarra
Associate Superintendent, Business Services

Dr. Shelly Morr
Associate Superintendent, Human Resources

Dr. 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, 2010

	Second Period Report	Second Period Report After Audit Finding Adjustments	Annual Report	Annual Report After Audit Finding Adjustments
Elementary:				
Kindergarten	1,580	1,581	1,574	1,574
Grades 1 through 3, regular classes	4,790	4,789	4,780	4,781
Grades 4 through 6, regular classes	4,111	4,112	4,084	4,084
Grades 7 and 8, regular classes	2,616	2,614	2,605	2,605
Home and hospital	5	5	7	7
Special education	476	477	482	482
Total Elementary	13,578	13,578	13,532	13,533
Secondary:				
Grades 9 through 12, regular classes	5,078	5,076	4,996	4,996
Continuation education	174	174	178	178
Home and hospital	5	5	6	6
Special education	298	299	294	294
Total Secondary	5,555	5,554	5,474	5,474
Total Average Daily Attendance	19,133	19,132	19,006	19,007

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2010

Grade Level	1982-83 Actual Minutes	1982-83 Reduced Minutes	1986-87 Minutes Requirement	1986-87 Reduced Minutes	2009-10 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	36,000	35,000	36,000	180	Complied
Grade 1	45,000	43,750	50,400	49,000	54,765	180	Complied
Grade 2	45,000	43,750	50,400	49,000	54,765	180	Complied
Grade 3	45,000	43,750	50,400	49,000	54,765	180	Complied
Grade 4	50,000	48,611	54,000	52,500	54,765	180	Complied
Grade 5	50,000	48,611	54,000	52,500	54,765	180	Complied
Grade 6	50,000	48,611	54,000	52,500	61,833	180	Complied
Grade 7	55,000	53,472	54,000	52,500	61,833	180	Complied
Grade 8	55,000	53,472	54,000	52,500	61,833	180	Complied
Grade 9	61,300	59,597	64,800	63,000	64,860	180	Complied
Grade 10	61,300	59,597	64,800	63,000	64,860	180	Complied
Grade 11	61,300	59,597	64,800	63,000	64,860	180	Complied
Grade 12	61,300	59,597	64,800	63,000	64,860	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, 2010

General Fund	(Budget) 2011**	2010	2009	2008
Revenues and other financing sources	\$ 149,738,381	\$ 159,491,941	\$ 177,033,919	\$ 172,300,196
Expenditures and Other uses and transfers out	151,860,394	169,188,656	172,691,051	174,111,690
Change in fund balance (deficit)	(2,122,013)	(9,696,715)	4,342,868	(1,811,494)
Ending fund balance	\$ 12,881,869	\$ 15,003,883	\$ 24,700,598	\$ 20,357,730
Available reserves*	\$ 6,572,056	\$ 6,582,304	\$ 5,634,286	\$ 6,967,434
Available reserves as a percentage of total outgo	4%	4%	3.3%	4%
Total long-term debt	\$ 201,232,655	\$ 203,260,026	\$ 170,879,931	\$ 120,882,261
Average daily attendance at P-2	19,126	19,132	19,524	19,196

The General Fund balance has decreased by \$5,353,847 over the past two years. The fiscal year 2010-11 adopted budget projects a decrease of \$2,122,013. 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). ABX4 2 reduced the 3% reserve requirement by one-third for the 2009-10 year. Long-term debt has increased \$82,377,765 over the past two years.

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

** Revised Final Budget, September 2010.

See accompanying note to the supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2009-10 Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
National School Lunch	10.555	13396	\$ 3,855,261
Meal Supplements	10.553	13390	152,582
Especially Needy School Breakfast	10.553	13390	1,074,801
Summer Food Service	10.559	13004	269,281
ARRA - Equipment Assistance Grants	10.579	15006	56,345
Total U.S. Department of Agriculture			<u>5,408,270</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	14329	3,763,416
Title I, Part A Program Improvement, District Intervention	84.010	14957	300,000
ARRA - Title I, Part A, Basic Grants Low Income and Neglected	84.389	15005	1,914,828
ARRA - State Fiscal Stabilization Fund	84.394	24997	8,529,100
Title II, Part D, Enhancing Education Through Technology	84.318	14334	45,541
Title II, Part A, Improving Teacher Quality	84.367	14341	1,364,627
Title II, Part A, Principal Training	84.367	14334	3,424
Title III, Limited English Proficiency	84.365	10084	510,041
Title IV, Part A Safe and Drug Free Schools	84.186	14347	95,151
Title IV, ASSET	84.287	14603	451,297
Title V, Part A, Innovative Education Strategies	84.298A	14354	15,278
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332	26,587
Vocational Programs: Voc & Appl Tech Secondary II C	84.048	14894	155,966
English Literacy and Civics Education	84.002A	14109	83,811
Individuals with Disabilities Act IDEA:			
Basic Local Assistance Entitlement, Part B	84.027	13379	3,368,551
ARRA - IDEA, Part B, Basic Local Assistance	84.391	15003	2,360,341
Preschool Staff Development	84.173A	13431	1,005
Preschool Grants, Part B	84.173	13430	309,350
ARRA - IDEA, Part B, Preschool Local Entitlement	84.391	15002	197,858
ARRA - IDEA, Part B, Preschool Grants	84.392	15000	70,358
Impact Basic Aid	84.041	10015	4,963,257
Migrant Education	84.011	14326	230,088
Total U.S. Department of Education			<u>28,759,875</u>
U.S. Department of Defense			
Passed through California Dept. of Education (CDE):			
Targeted Intervention - Pendleton Students	12.030	n/a	666,303
C.M. White Physical Education Program	84.215F	n/a	169,063
Total U.S. Department of Defense			<u>835,366</u>
U.S. Department of Health & Human Services:			
Passed through California Dept of Health Services:			
Medi-Cal Billing Options	93.778	10013	112,778
Quality Improvement Child Care Resource Program	93.575	14130	1,780
Total U.S. Department of Health & Human Services			<u>114,558</u>
Total Expenditures of Federal Awards			<u>\$ 35,118,069</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, 2010

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, 2010

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, 2010

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. For 2009-10 through 2012-13, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

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 Auditor's Reports

Board of Trustees
Oceanside Unified School District
Oceanside, California

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

Independent Auditors Report

We have audited the basic financial statements of Oceanside Unified School District as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. 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 Orange 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 Oceanside Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oceanside Unified School District's internal control over financial reporting.

A deficiency in internal control 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 material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, others within the entity, the California Department of Education, the California 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.

Chung & White Accountancy Corporation

San Diego, California
November 24, 2010

Board of Trustees
Oceanside Unified School District
Oceanside, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditors Report

Compliance

We have audited Oceanside Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Oceanside Unified School District's major federal programs for the year ended June 30, 2010. Oceanside Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oceanside Unified School District's management. Our responsibility is to express an opinion on Oceanside Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 of Oceanside Unified School District's compliance with those requirements.

In our opinion, Oceanside Unified School District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Oceanside Unified School District's is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Oceanside Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 the Board, management, others within the entity, the California Department of Education, the California State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Chint White".

Chint White Accountancy Corporation
San Diego, California
November 24, 2010

Board of Trustees
Oceanside Unified School District
Oceanside, California

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Oceanside Unified School District (the District), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. 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 2009-10*, 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 opinions.

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

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
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

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 audit, 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, others within the entity, the California Department of Education, the California Department of Finance, the California 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.

Chung & White Accountancy Corporation

San Diego, California
November 24, 2010

Findings and Questioned Costs Section

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

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(ies) 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(ies) 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	Name of Federal Program or Cluster
<u>84.010</u>	<u>Title I, Part A Cluster - ARRA</u>
<u>84.027</u>	<u>Special Education IDEA</u>
<u>84.394</u>	<u>ARRA SFSF</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,053,542</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(ies) 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, 2010

Section II – Financial Statement Findings

This section identifies the deficiencies, 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 2009-10.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

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

There were no audit findings and questioned costs related to federal awards during 2009-10.

OCEANSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

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 2009-10

OCEANSIDE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

There were no audit findings and questioned costs during 2008-09.