

OCEANSIDE UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2012



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

OCEANSIDE, CALIFORNIA

JUNE 30, 2012

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's boundaries through operation of its twenty-three schools, which consist of sixteen elementary, four middle schools and three high schools.

GOVERNING BOARD

Member	Office	Term Expires
Mr. Mike Blessing	President	December 2012
Ms. Janet Bledsoe Lacy	Vice President	December 2014
Dr. Adrianne Hakes	Clerk	December 2012
Ms. Emily Ortiz Wichmann	Member	December 2014
Ms. Lillian V. Adams	Member	December 2014

DISTRICT ADMINISTRATORS

Mr. Larry Perondi
Superintendent

Dr. Luis Ibarra
Associate Superintendent, Business Services

Mr. Duane Coleman, Ed.D.
Associate Superintendent, Education Services

Dr. Shelly Morr
Associate Superintendent, Human Resources

Karen Huddleston
Controller

OCEANSIDE UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds – Statement of Net Assets	17
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Assets.....	18
Proprietary Funds – Statement of Cash Flows.....	19
Fiduciary Funds – Statement of Net Assets.....	20
Notes to Financial Statements	21

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	46
Schedule of Funding Progress	47
Notes to Required Supplementary Information.....	48

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	49
Schedule of Average Daily Attendance (ADA).....	51
Schedule of Instructional Time	52
Schedule of Financial Trends and Analysis.....	53
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	54
Schedule of Charter Schools	55
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	57
Notes to Supplementary Information.....	58

OCEANSIDE UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditors' 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.....	62
Independent Auditors' Report on State Compliance	64

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	66
Financial Statement Findings.....	67
Federal Award Findings and Questioned Costs	68
State Award Findings and Questioned Costs.....	69
Summary Schedule of Prior Audit Findings	70

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy

Governing Board
Oceanside Unified School District
Oceanside, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oceanside Unified School District, as of and for the year ended June 30, 2012, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oceanside Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012 on our consideration of Oceanside Unified School District's internal control over financial reporting and on 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 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.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 3 through 9, the budgetary comparison information on page 46, and the schedule of funding progress on page 47 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oceanside Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Christy White Associates

San Diego, California
December 6, 2012

OCEANSIDE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Oceanside Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- General Fund revenues exceeded expenditures and other outgo by \$5.0 million in 2011-12, due partially to the receipt of over \$11.0 million in Federal Impact Aid and Education Jobs funds. The fund balance of the General Fund was \$30.6 million with available reserves of 14.3%.
- The District continued to maintain minimum state-required reserves, with almost \$22.6 million designated for economic uncertainties at year-end, which is \$6.1 million more than the prior year.
- Student enrollment decreased by 72 pupils in 2011-12 compared to the prior year.
- New construction and modernization projects for North Terrace Elementary School (July 2012) and Libby Elementary School (April 2012) were completed. A new music building at Oceanside High School was finalized in April 2012. El Camino High School had some improvements to the Stadium Plaza, which was a continuance of the athletic facility project and was finished in August 2011. The new Career Technology buildings at Oceanside High School started production in August 2010 and was completed as planned in August 2011. Plans for architectural designs are still in process for several elementary and middle school projects to be modernized out of Proposition H bond proceeds. Total capital outlay for facility construction came to \$31.7 million for the 2011-12 fiscal year.
- District long-term liabilities increased almost \$19.8 million, due to the issuance of 2008 Election Series C bonds and a 2012 GOB Refunding of 2000 Series C, D, F bonds, in addition to an increased liability for unfunded other post-employment benefits.
- Overall, net assets decreased by slightly less than \$1.5 million for the District as a whole.

OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
FOR THE YEAR ENDED JUNE 30, 2012

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were about \$147.6 million at June 30, 2012, as reflected in Table A-1 below. Of this amount, slightly over \$18.5 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

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

	Governmental Activities			
	2012	2011	\$ Change	% Change
ASSETS				
Current and other assets	\$ 94,344,873	\$ 102,707,550	\$ (8,362,677)	-8%
Capital assets	320,760,796	292,667,440	28,093,356	10%
Total Assets	415,105,669	395,374,990	19,730,679	5%
LIABILITIES				
Current liabilities	18,560,823	16,731,962	(1,828,861)	-11%
Long-term liabilities	248,986,893	229,059,525	(19,927,368)	-9%
Total Liabilities	267,547,716	245,791,487	(21,756,229)	-9%
NET ASSETS				
Invested in capital assets, net of related debt	112,432,091	114,946,136	(2,514,045)	-2%
Restricted	16,586,405	18,890,763	(2,304,358)	-12%
Unrestricted	18,539,457	15,746,604	2,792,853	18%
Total Net Assets	\$ 147,557,953	\$ 149,583,503	\$ (2,025,550)	-1%

Changes in Net Assets

As shown in Table A-2 of the following page, the District's total revenues were slightly over \$186.6 million. The majority of the revenue comes from revenue limit source, including apportionment and property taxes (53%). Impact Aid (including Supplemental Impact Aid) accounted for 4% of revenues. Other federal and state aid for specific programs accounted for another 29% of total revenues. Miscellaneous local sources accounted for the remaining 14%. Revenues increased primarily due to additional federal income received from Education Jobs Fund (Ed Jobs) program, Basic Impact Aid and Supplemental Impact Aid from the Department of Defense.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The total cost of all programs and services was \$188 million. The District's expenses are predominately related to educating and caring for students (66%). Pupil Services (including transportation and food) account for 14% of expenses. Administrative activities accounted for just 5% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 9% of all costs. The remaining expenses were for ancillary services, community services, and other outgo (6%).

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

	Governmental Activities			
	2012	2011	\$ Change	% Change
REVENUES				
Program revenues				
Charges for services	\$ 4,758,411	\$ 4,664,788	\$ 93,623	2%
Operating grants and contributions	42,065,496	39,159,775	2,905,721	7%
Capital grants and contributions	2,845,325	16,145,798	(13,300,473)	-82%
General revenues				
Property taxes	48,343,349	46,011,791	2,331,558	5%
Unrestricted federal and state aid	86,490,472	88,180,726	(1,690,254)	-2%
Other	2,134,808	2,339,094	(204,286)	-9%
Total Revenues	186,637,861	196,501,972	(9,864,111)	-5%
EXPENSES				
Instruction	105,994,564	104,761,267	1,233,297	1%
Instruction-related services	19,012,092	18,301,520	710,572	4%
Pupil services	26,275,746	22,359,052	3,916,694	18%
General administration	8,806,759	8,384,238	422,521	5%
Plant services	17,571,767	16,516,050	1,055,717	6%
Ancillary and community services	296,626	298,069	(1,443)	0%
Debt service	9,325,103	10,502,234	(1,177,131)	-11%
Other Outgo	1,380,754	399,267	981,487	246%
Total Expenses	188,663,411	181,521,697	7,141,714	4%
Change in net assets	(2,025,550)	14,980,275	(17,005,825)	-114%
Net Assets - Beginning	149,583,503	134,603,228	14,980,275	11%
Net Assets - Ending	\$ 147,557,953	\$ 149,583,503	\$ (2,025,550)	-1%

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

As reported in the Statement of Activities on page 11, the cost of all our governmental activities this year was slightly over \$188.6 million (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$48.3 million because the cost was paid by those who benefited from the programs (\$4.7 million), by other governments and organizations who subsidized certain programs with grants and contributions (\$44.9 million) or through other federal, state and local sources (\$88.6 million).

**Table A-3
Net Costs of Oceanside Unified School District's Governmental Activities**

	Total cost of services	Net cost of services
Instruction	\$ 105,994,564	\$ 78,530,720
Instruction-related services	19,012,092	13,795,984
Pupil services	26,275,746	14,930,462
General administration	8,806,759	8,145,004
Plant services	17,571,767	17,326,783
Ancillary and community services	296,626	288,767
Debt service	9,325,103	9,325,103
Transfers to other agencies	1,380,754	(3,348,644)
Total Expenses	\$ 188,663,411	\$ 138,994,179

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of nearly \$75.7 million, which is less than last year's ending fund balance of \$85.3 million. The District's General Fund had \$5.0 million more in operating revenues than expenditures for the year ended June 30, 2012.

CURRENT YEAR BUDGET 2011-12

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011-12 the District had invested nearly \$318.0 million in capital assets, net of accumulated depreciation.

**Table A-4
Oceanside Unified School District's Capital Assets**

	Governmental Activities			
	2012	2011	\$ Change	% Change
CAPITAL ASSETS				
Land	\$ 16,825,171	\$ 16,825,171	\$ -	0%
Construction in progress	4,550,567	19,304,283	(14,753,716)	-76%
Land improvements	7,519,967	7,496,960	23,007	0%
Buildings & improvements	346,208,572	298,807,606	47,400,966	16%
Furniture & equipment	17,067,916	16,117,454	950,462	6%
Accumulated depreciation	(74,199,063)	(65,884,034)	(8,315,029)	13%
Total Capital Assets	\$ 317,973,130	\$ 292,667,440	\$ 25,305,690	9%

Long-Term Debt

At year-end, the District had nearly \$249.7 million in long-term debt, an increase of almost 9% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5
Oceanside Unified School District's Long-Term Debt**

	Governmental Activities			
	2012	2011	\$ Change	% Change
LONG-TERM LIABILITIES				
Total general obligation bonds	\$ 248,273,035	\$ 228,538,194	\$ 19,734,841	9%
Compensated absences	849,161	903,135	(53,974)	-6%
Net OPEB obligation	539,697	438,196	101,501	23%
Total Long-term Liabilities	\$ 249,661,893	\$ 229,879,525	\$ 19,782,368	9%

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and a rival tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 spending will remain flat at roughly the 2011-12 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2012-13 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District Business Office at 2111 Mission Avenue; Oceanside, CA 92054-2326.

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 58,145,500
Accounts receivable	35,882,335
Inventory	317,038
Deferred charges	2,787,666
Capital assets, not depreciated	21,375,738
Capital assets, net of accumulated depreciation	296,597,392
Total Assets	415,105,669
LIABILITIES	
Accrued liabilities	8,876,774
Current loans	8,890,033
Deferred revenue	119,016
Long-term liabilities, current portion	675,000
Long-term liabilities, non-current portion	248,986,893
Total Liabilities	267,547,716
NET ASSETS	
Invested in capital assets, net of related debt	112,432,091
Restricted for	
Capital projects	4,283,661
Debt service	5,463,561
Categorical programs	6,839,183
Unrestricted	18,539,457
Total Net Assets	\$ 147,557,953

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

					Net (Expenses)
					Revenues and
					Changes in
					Net Assets
Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 105,994,564	\$ 172,045	\$ 24,446,474	\$ 2,845,325	\$ (78,530,720)
Instruction-related services					
Instructional supervision and administration	4,001,480	27,179	1,766,356	-	(2,207,945)
Instructional library, media, and technology	2,537,782	3,407	79,249	-	(2,455,126)
School site administration	12,472,830	4,933	3,334,984	-	(9,132,913)
Pupil services					
Home-to-school transportation	7,801,471	88,936	2,871,437	-	(4,841,098)
Food services	8,969,396	1,463,889	5,627,181	-	(1,878,326)
All other pupil services	9,504,879	2,778	1,291,063	-	(8,211,038)
General administration					
Centralized data processing	1,818,373	6,495	19,995	-	(1,791,883)
All other general administration	6,988,386	59,937	575,328	-	(6,353,121)
Plant services	17,571,767	32,220	212,764	-	(17,326,783)
Ancillary services	165,565	-	-	-	(165,565)
Community services	131,061	4,883	2,976	-	(123,202)
Interest on long-term debt	9,325,103	-	-	-	(9,325,103)
Other Outgo	1,380,754	2,891,709	1,837,689	-	3,348,644
Total Governmental Activities	\$ 188,663,411	\$ 4,758,411	\$ 42,065,496	\$ 2,845,325	(138,994,179)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					40,770,153
Property taxes, levied for debt service					7,331,151
Property taxes, levied for other specific purposes					242,045
Federal and state aid not restricted for specific purposes					86,490,472
Interest and investment earnings					303,132
Interagency revenues					36,227
Miscellaneous					1,795,449
Subtotal, General Revenue					136,968,629
CHANGE IN NET ASSETS					(2,025,550)
Net Assets - Beginning					149,583,503
Net Assets - Ending					\$ 147,557,953

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,439,231	\$ 32,586,941	\$ 11,868,620	\$ 56,894,792
Accounts receivable	33,640,250	25,046	1,795,406	35,460,702
Due from other funds	365,226	538	27,641	393,405
Stores inventory	64,866	-	252,172	317,038
Total Assets	\$ 46,509,573	\$ 32,612,525	\$ 13,943,839	\$ 93,065,937
LIABILITIES				
Accrued liabilities	\$ 6,892,553	\$ 571,465	\$ 541,275	\$ 8,005,293
Due to other funds	24,373	703	368,329	393,405
Current loans	8,890,033	-	-	8,890,033
Deferred revenue	119,016	-	-	119,016
Total Liabilities	15,925,975	572,168	909,604	17,407,747
FUND BALANCES				
Nonspendable	144,866	-	262,172	407,038
Restricted	3,814,342	32,040,357	12,772,063	48,626,762
Committed	1,091,496	-	-	1,091,496
Assigned	2,941,814	-	-	2,941,814
Unassigned	22,591,080	-	-	22,591,080
Total Fund Balances	30,583,598	32,040,357	13,034,235	75,658,190
Total Liabilities and Fund Balances	\$ 46,509,573	\$ 32,612,525	\$ 13,943,839	\$ 93,065,937

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Governmental Funds \$ 75,658,190

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 392,172,193	
Accumulated depreciation	(74,199,063)	317,973,130

Unamortized costs:

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

2,787,666

Unmatured interest on long-term debt:

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

(635,037)

Long-term liabilities:

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

Total general obligation bonds	\$ 248,273,035	
Compensated absences	849,161	
Net OPEB obligation	539,697	(249,661,893)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:

1,435,897

Total Net Assets - Governmental Activities	\$ 147,557,953
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The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources				
State aid	\$ 60,965,736	\$ -	\$ -	\$ 60,965,736
Local sources	40,151,156	-	-	40,151,156
Transfers	(1,621,616)	-	-	(1,621,616)
Federal sources	25,383,786	-	5,754,876	31,138,662
Other state sources	26,869,334	-	4,506,360	31,375,694
Other local sources	15,115,212	148,821	9,364,196	24,628,229
Total Revenues	166,863,608	148,821	19,625,432	186,637,861
EXPENDITURES				
Current				
Instruction	104,408,244	-	862,999	105,271,243
Instruction-related services				
Instructional supervision and administration	3,796,226	-	127,936	3,924,162
Instructional library, media, and technology	1,473,390	-	-	1,473,390
School site administration	12,478,314	-	4,665	12,482,979
Pupil services				
Home-to-school transportation	5,490,379	-	-	5,490,379
Food services	1,436	-	7,652,312	7,653,748
All other pupil services	9,498,808	-	488	9,499,296
General administration				
Centralized data processing	1,185,079	-	-	1,185,079
All other general administration	6,195,063	-	331,674	6,526,737
Plant services	16,396,305	-	665,418	17,061,723
Facilities acquisition and maintenance	28,932	28,506,755	4,140,492	32,676,179
Ancillary services	165,499	-	-	165,499
Community services	130,872	-	-	130,872
Transfers to other agencies	340,632	-	-	340,632
Debt service				
Principal	-	-	1,075,000	1,075,000
Interest and other	266,427	397,224	6,450,753	7,114,404
Total Expenditures	161,855,606	28,903,979	21,311,737	212,071,322
Excess (Deficiency) of Revenues				
Over Expenditures	5,008,002	(28,755,158)	(1,686,305)	(25,433,461)
Other Financing Sources (Uses)				
Transfers In	40,750	918,154	-	958,904
Other Sources	-	41,062,487	375,000	41,437,487
Transfers Out	-	-	(958,904)	(958,904)
Other Uses	-	(25,640,101)	-	(25,640,101)
Net Financing Sources (Uses)	40,750	16,340,540	(583,904)	15,797,386
NET CHANGE IN FUND BALANCE	5,048,752	(12,414,618)	(2,270,209)	(9,636,075)
Fund Balance - Beginning	25,534,846	44,454,975	15,304,444	85,294,265
Fund Balance - Ending	\$ 30,583,598	\$ 32,040,357	\$ 13,034,235	\$ 75,658,190

The accompanying notes are an integral part of these financial statements.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Governmental Funds \$ (9,636,075)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	33,652,638	
Depreciation expense:		(8,346,948)	25,305,690

Debt service:

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

1,075,000

Debt proceeds:

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

(16,627,487)

Debt issue costs:

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

Issue costs incurred during the period:		423,104	
Issue costs amortized for the period:		(116,849)	306,255

(Continued on following page)

**OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2012**

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period 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:

1,455,377

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(4,329,725)

Compensated absences:

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

53,974

Postemployment benefits other than pensions (OPEB):

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

(101,501)

Amortization of debt issue premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt.

Amortization of premium or discount for the period is:

147,371

Internal Service Funds:

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

325,571

Change in Net Assets of Governmental Activities

\$ (2,025,550)

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

	Governmental Activities
	Internal Service
	Fund
	Self-Insurance
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,250,708
Accounts receivable	421,633
Total Assets	1,672,341
LIABILITIES	
Current liabilities	
Accrued liabilities	236,444
Total Liabilities	236,444
NET ASSETS	
Unrestricted	1,435,897
Total Net Assets	\$ 1,435,897

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities Internal Service Fund Self-Insurance
OPERATING REVENUE	
Charges to other funds	\$ 4,395,465
Other local revenues	910,117
Total operating revenues	5,305,582
OPERATING EXPENSE	
Professional services	4,983,043
Total operating expenses	4,983,043
Operating income/(loss)	322,539
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	3,032
Total non-operating revenues/(expenses)	3,032
CHANGE IN NET ASSETS	325,571
Net Assets - Beginning	1,110,326
Net Assets - Ending	\$ 1,435,897

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities
	Internal Service Fund Self-Insurance
Cash flows from operating activities	
Cash received (paid) from assessments made to (from) other funds	\$ 5,535,667
Cash payments for payroll, insurance, and operating costs	(4,927,259)
Net cash provided by (used for) operating activities	608,408
Cash flows from non-capital financing activities	
Interfund payables (receivables)	173,241
Net cash provided by (used for) non-capital financing activities	173,241
Cash flows from investing activities	
Interest received	1,822
Net cash provided by (used for) investing activities	1,822
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	783,471
CASH AND CASH EQUIVALENTS	
Beginning of year	467,237
End of year	\$ 1,250,708
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ 322,539
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	230,085
(Increase) decrease in prepaid expenses	70,000
Increase (decrease) in accounts payable	(14,216)
Net cash provided by (used for) operating activities	\$ 608,408

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

	<u>Agency Fund</u>
	<u>Student Body Fund</u>
ASSETS	
Cash and cash equivalents	\$ 382,860
Stores inventory	53,719
Total Assets	<u>\$ 436,579</u>
LIABILITIES	
Due to student groups	<u>\$ 436,579</u>
Total Liabilities	<u>\$ 436,579</u>

The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The School District was established in 1970, under the laws of the State of California. 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. The District operates sixteen K through fifth grade schools, four middle schools, and three high schools.

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 Oceanside Unified School District, this includes general operations, food service, and student related activities of the District.

B. Component Units

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 District has no such component units.

C. Other Related Entities

Joint Powers Authority (JPA). The District is exposed to various risk of loss related to: torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District participates in JPA to manage these risks. The relationship between the District and the JPA in which it is associated with is such that the JPA is not a component unit of the District for financial reporting purposes. The JPA is governed by the board consisting of representatives from the member agencies. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member district pays premiums commensurate with the level of coverage or service requested, and shares surpluses and deficits proportionate to its participation in the JPA.

D. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. **Basis of Accounting – Measurement Focus**

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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.

All governmental-type activities of the District follow the FASB and AICPA pronouncements, unless those pronouncements conflict with GASB pronouncements issued on or before November 30, 1989.

Governmental Funds

Basis of accounting refers to when revenues and expenditures 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.

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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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 the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions (continued)

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 potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also 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.

F. Assets, Liabilities, Fund Balance and Net Assets

Cash and Cash Equivalents

The District's cash and cash equivalents consist of 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.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Fund Balance and Net Assets (continued)

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.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement 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>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net assets.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized 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 resource. These amounts are recorded 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Fund Balance and Net Assets (continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Fund Balance and Net Assets (continued)

Fund Balance (continued)

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

The District did not hold any assets deemed to be investments as of June 30, 2012. A summary of balances for cash and cash equivalents at June 30, 2012 are as follows:

				Total	
	Governmental	Internal Service	Governmental		Fiduciary
	Funds	Funds	Activities		Funds
Cash in county	\$ 56,057,921	\$ 1,250,708	\$ 57,308,629	\$	-
Cash on hand and in banks	218,746	-	218,746		382,860
Cash with fiscal agent	528,125	-	528,125		-
Cash in revolving fund	90,000	-	90,000		-
Total Cash and Cash Equivalents	\$ 56,894,792	\$ 1,250,708	\$ 58,145,500	\$	382,860

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

C. 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 the investment types permitted by California Government Code.

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

D. 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. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$57,477,374 and an amortized book value of \$57,308,629. The average weighted maturity for this pool is 370 days.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2012, the pooled investments in the County Treasury were rated AAAs/S1 by Standard & Poor's.

F. Custodial Credit Risk – Deposits

This 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. 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, 2012, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 2,866,503	\$ -	\$ 1,387,341	\$ -	\$ 4,253,844
State Government					
Apportionment	22,939,202	-	-	-	22,939,202
Categorical aid	766,909	-	274,735	-	1,041,644
Lottery	1,424,979	-	-	-	1,424,979
Local Government					
Special education transfers	2,972,119	-	-	-	2,972,119
Interest	24,193	25,046	6,217	1,210	56,666
Other local sources	2,646,345	-	127,113	420,423	3,193,881
Total Accounts Receivable	\$ 33,640,250	\$ 25,046	\$ 1,795,406	\$ 421,633	\$ 35,882,335

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 16,825,171	\$ -	\$ -	\$ 16,825,171
Construction in progress	19,304,283	796,319	15,550,035	4,550,567
Total Capital Assets not Being Depreciated	36,129,454	796,319	15,550,035	21,375,738
Capital assets being depreciated				
Land improvements	7,496,960	23,007	-	7,519,967
Buildings & improvements	298,807,606	47,400,966	-	346,208,572
Furniture & equipment	16,117,454	982,381	31,919	17,067,916
Total Capital Assets Being Depreciated	322,422,020	48,406,354	31,919	370,796,455
Less Accumulated Depreciation				
Land improvements	3,890,627	3,639	-	3,894,266
Buildings & improvements	47,306,397	7,163,023	-	54,469,420
Furniture & equipment	14,687,010	1,180,286	31,919	15,835,377
Total Accumulated Depreciation	65,884,034	8,346,948	31,919	74,199,063
Governmental Activities				
Capital Assets, net	\$ 292,667,440	\$ 40,855,725	\$ 15,550,035	\$ 317,973,130

Depreciation expense is allocated among the following functions in the Statement of Activities:

Instruction	\$ 1,065,149
Instructional supervision and administration	50,103
Instructional library, media, and technology	1,059,334
Pupil home-to-school transportation	2,826,788
Food services	1,602,477
Other general administration	535,420
Centralized data processing	664,878
Plant maintenance and operations	542,799
Total Depreciation Expense	\$ 8,346,948

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

Due To Other Funds	Due From Other Funds			
	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 24,373	\$ 24,373
Building Fund	703	-	-	703
Non-Major Governmental Funds	364,523	538	3,268	368,329
Total Due From Other Funds	\$ 365,226	\$ 538	\$ 27,641	\$ 393,405

Due from the General Fund to the the Cafeteria Fund for Café sales, payroll expenses and FFVP grant	\$ 24,373
Due from the Child Development Fund to the General Fund for payroll expenses and preschool loan	97,974
Due from the Child Development Fund to the Cafeteria Fund for Café sales	3,268
Due from the Cafeteria Fund to the General Fund for payroll, consulting and indirect expenses	259,231
Due from the Building Fund to the General Fund for payroll expenses and revolving cash	703
Due from the Capital Facilities Fund to the General Fund for general expenses	7,313
Due from the County School Facilities Fund to the General Fund for general expenses	5
Due from the County School Facilities Fund to the Building Fund for construction expenses	538
Total Interfund Receivables/Payables	\$ 393,405

Operating Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Building Fund	Total
Non-Major Governmental Funds	\$ 40,750	\$ 918,154	\$ 958,904
Total Interfund Transfers	\$ 40,750	\$ 918,154	\$ 958,904

Transfer from the Cafeteria Fund to the General Fund for mobile kitchen	\$ 40,750
Transfer from the County School Facilities Fund to the Building Fund for moving expenses	918,154
Total Interfund Transfers	\$ 958,904

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Payroll	\$ 773,476	\$ -	\$ 71,095	\$ -	\$ 844,571
Construction	-	571,465	311,566	-	883,031
Vendors payable	6,119,077	-	158,614	236,444	6,514,135
Total Accounts Payable	\$ 6,892,553	\$ 571,465	\$ 541,275	\$ 236,444	\$ 8,241,737

NOTE 7 – DEFERRED REVENUE

Deferred revenue of \$119,016 at June 30, 2012 consisted of the federal sources of \$1,925 and state categorical sources of \$117,091.

NOTE 8 – CURRENT LOANS

Tax and Revenue Anticipation Notes (TRANS)

On July 1, 2011, the District issued \$13,170,000 of Tax and Revenue Anticipation Notes (TRANS) through a multiple agency agreement with the County of San Diego and San Diego County School Districts. The notes bear interest at two percent. The notes were issued to supplement cash flows. Interest and principal were due and payable in two equal payments on January 31, 2012 and April 29, 2012. The District had paid off the notes as required during 2011-12, leaving no outstanding balance on the TRANS at June 30, 2012.

Treasury Loan

On March 27, 2012, the District's Governing Board approved a resolution for a temporary borrowing from the San Diego County Treasurer not to exceed \$15,000,000. The District received \$15,000,000 in April 2012 as a transfer into cash in county treasury. Interest on the transferred funds was agreed to be accrued and payable by the District at the greater of, the pooled investment's interest earnings rate or the average overnight repo rate for each month until the entire balance plus interest is repaid. The temporary loan was received to supplement cash flows arising from State deferrals. As of June 30, 2012, the District had made principal payments of \$6,109,967, leaving an outstanding balance of \$8,890,033. By August 2012, the District had transferred funds to the County Treasurer to fully repay the temporary loan.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 consisted of the following:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2012	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 224,771,959	\$ 42,914,007	\$ 25,885,000	\$ 241,800,966	\$ 675,000
Unamortized premium	3,766,235	2,853,205	147,371	6,472,069	-
Total general obligation bonds	228,538,194	45,767,212	26,032,371	248,273,035	675,000
Compensated absences	903,135	-	53,974	849,161	-
Net OPEB obligation	438,196	101,501	-	539,697	-
Total Long-Term Debt	\$ 229,879,525	\$ 45,868,713	\$ 26,086,345	\$ 249,661,893	\$ 675,000

A. Bonded Debt

The outstanding bonded debt as of June 30, 2012 consists of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Additions	Deductions	Bonds Outstanding June 30, 2012
2000 Election, Series C	03/21/02	08/01/32	4.1-7.0%	\$ 20,000,000	\$ 15,830,000	\$ -	\$ 15,830,000	\$ -
2000 Election, Series D	05/05/04	08/01/33	3.0-5.0%	25,000,000	21,060,000	-	8,360,000	12,700,000
2000 Election, Series E	06/22/05	08/01/34	3.0-5.0%	25,000,000	22,110,000	-	1,165,000	20,945,000
2000 Election, Series F	06/20/06	08/01/35	4.0-7.0%	25,500,000	23,495,000	-	530,000	22,965,000
2008 Election, Series A	03/04/09	08/01/31	3.8-8.0%	49,995,054	53,691,367	1,817,928	-	55,509,295
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	32,665,592	2,304,641	-	34,970,233
2010 GOB Refunding of 2000 Series B, D, E, F	05/05/10	08/01/28	3.125-5.0%	14,320,000	14,320,000	-	-	14,320,000
2011 Qualified School Construction Bond	05/12/11	05/01/16	4.5%	25,000,000	25,000,000	-	-	25,000,000
2008 Election, Series C	04/11/12	08/01/51	5.82 - 6.98%	14,999,282	-	15,206,438	-	15,206,438
2012 GOB Refunding E of 2000 Series C, D, E	04/11/12	08/01/27	2.0 - 3.5%	23,585,000	-	23,585,000	-	23,585,000
				\$269,999,327	\$224,771,959	\$ 42,914,007	\$ 25,885,000	\$241,800,966

Election of 2000 Proposition G General Obligation Bond Authorization

The election of 2000 authorized \$125,000,000 in general obligation bonds issued in Series A through F. In 2009, 2011 and 2012, \$16,600,000, \$14,320,000, and \$23,585,000, respectively, were issued in refunding bonds were 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 is considered fully defeased and is not recorded on the financial statements. The total outstanding balance of Election 2000 bonds, including the refunding bonds, as of June 30, 2012 amounted to \$111,115,000.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

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, 2012, the District has issued \$94,994,327 and the amount outstanding as of June 30, 2012 was \$105,685,966, including \$10,691,639 in accreted interest.

Qualified School Construction Bonds (QSCB)

The District issued \$25,000,000 of Qualified School Construction Bonds (QSCBs) on May 12, 2011, pursuant to an authorization granted by voters of the District on June 3, 2008. The QSCBs were issued simultaneously with the District's General Obligation Bonds in order to fund projects authorized under Proposition H. The QSCBs are payable from ad valorem taxes upon all property subject to taxation by the District. The QSCBs are tax credit bonds within the meaning of Section 54F of the Internal Revenue Code (the Code), and accordingly the QSCBs do not bear interest to be paid by the District. The owners of the QSCBs will be allowed a credit under the Code against their Federal income tax liability. Proceeds from the sale of QSCBs are restricted to the uses prescribed for bonds designated as QSCBs under Section 54F of the Code.

Debt Service Requirements to Maturity – Bonds

The annual requirements to amortize debt related to the general obligation bonds payable outstanding as of June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 675,000	\$ 5,007,176	\$ 5,682,176
2014	2,087,133	7,725,071	9,812,204
2015	746,726	5,749,709	6,496,435
2016	27,629,953	6,681,404	34,311,357
2017	4,511,200	6,422,369	10,933,569
2018 - 2022	33,573,787	26,997,013	60,570,800
2023 - 2027	42,223,690	39,170,748	81,394,438
2028 - 2032	47,352,565	39,329,597	86,682,162
2033 - 2037	35,883,629	44,009,313	79,892,942
2038 - 2042	14,063,952	75,766,048	89,830,000
2043 - 2047	12,859,581	113,425,106	126,284,687
2048 - 2051	9,502,111	111,662,082	121,164,193
Accretion	10,691,639	(10,691,639)	-
Total	\$ 241,800,966	\$ 471,253,997	\$ 713,054,963

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT (continued)

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2012 amounted to \$849,161. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$498,657 and contributions made by the District during the year were \$350,257, which resulted in a net OPEB obligation of \$539,697. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2012:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 80,000	\$ -	\$ 10,000	\$ 90,000
Stores inventory	64,866	-	252,172	317,038
Total non-spendable	144,866	-	262,172	407,038
Restricted				
Educational programs	3,814,342	-	52,497	3,866,839
Capital projects	-	32,040,357	4,283,661	36,324,018
Debt service	-	-	5,463,561	5,463,561
Food services	-	-	2,972,344	2,972,344
Total restricted	3,814,342	32,040,357	12,772,063	48,626,762
Committed				
Post retirement reserve	991,496	-	-	991,496
Band uniforms	100,000	-	-	100,000
Total committed	1,091,496	-	-	1,091,496
Assigned				
Deferred maintenance	2,024,277	-	-	2,024,277
Health and welfare excess premium	548,691	-	-	548,691
Facility and field maintenance	270,799	-	-	270,799
Site carryover	98,047	-	-	98,047
Total assigned	2,941,814	-	-	2,941,814
Unassigned				
Reserve for economic uncertainties	22,591,080	-	-	22,591,080
Total unassigned	22,591,080	-	-	22,591,080
Total Fund Balance	\$ 30,583,598	\$ 32,040,357	\$ 13,034,235	\$ 75,658,190

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – FUND BALANCES (continued)

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3% of General Fund expenditures and other financing uses. If a fund balance drops below three percent, it shall be recovered at a rate of one percent minimally, each year. In the event of unanticipated changes in revenues or expenditures, it is the responsibility of the chief business official to report the projections to the District's Board when they become known.

NOTE 11 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan offers the following benefits by bargaining unit:

	<u>Certificated*</u>	<u>Classified*</u>	<u>Management*</u>
Benefit types provided	Medical only	Medical only	Medical only
Duration of benefits	To age 65	To age 65	To age 65
Required service	20 years*	20 years*	20 years*
Minimum age	55	55	55
Dependent coverage	Yes	Yes	Yes
District contribution %	100%	100%	100%
District annual cap	\$1,800	\$1,800	\$1,800

**Certain retirees are covered under other, grandfathered retiree health benefit plans*

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	112
Active plan members	1,448
Total	<u>1,560</u>
Number of participating employers	1

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-12, the District contributed \$350,257 to the Plan, all of which was used for current premiums.

As of June 30, 2012, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 accrued liabilities (UAAL) (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 to the Plan:

Annual required contribution	\$	498,657
Interest on net OPEB obligation		21,910
Adjustment to annual required contribution		(68,809)
Annual OPEB cost (expense)		<u>451,758</u>
Contributions made		<u>(350,257)</u>
Increase (decrease) in net OPEB obligation		101,501
Net OPEB obligation, beginning of the year		<u>438,196</u>
Net OPEB obligation, end of the year	\$	<u>539,697</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

Year Ended June 30,		Annual OPEB Cost	Percentage Contributed		Net OPEB Obligation
2012	\$	451,758	78%	\$	539,697
2011	\$	499,668	86%	\$	438,196
2010	\$	447,677	96%	\$	370,641

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2011	\$ -	\$ 8,100,356	\$ 8,100,356	0%	\$ 105,661,992	8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. 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 the 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 designed 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. Information on the latest actuarial valuation is as follows:

Valuation Date	May 1, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	28
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Health care trend rate	4.0%
Inflation rate	3.0%
Payroll increase rate	3.0%

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement 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 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 and disability benefits 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, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012 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:

	Contribution	Percent of Required Contribution
2011-12	\$ 6,563,826	100%
2010-11	\$ 6,465,770	100%
2009-10	\$ 7,188,791	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 \$3,394,644 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

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 Laws. 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, CA 95811.

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 2012 was 10.923% of annual payroll. 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
2011-12	\$ 2,786,000	100%
2010-11	\$ 2,662,042	100%
2009-10	\$ 2,719,750	100%

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2012, the District had \$30,867,908 in commitments with respect to unfinished capital projects, summarized by project as follows:

	Remaining Construction Commitment
Capital Projects	
Mission Elementary School	\$ 13,918,819
Palmquist Elementary School	13,482,864
Oceanside High School - Performing Arts Center	1,951,137
Ivey Ranch Elementary School	184,202
Libby Elementary School	49,974
Carl Burgener Academy	48,300
North Terrace Elementary School	33,145
Oceanside High School - Music Building	11,145
Santa Margarita Elementary School	8,603
El Camino High School - Athletic Fields	6,825
Oceanside High School - Career Tech	1,192
General Bond Program	1,171,702
Total Outstanding Construction Commitments	\$ 30,867,908

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in one joint venture under a joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (RM). The JPA arranges for and provides workers' compensation, health, and property and liability insurance for its member school districts.

There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past two years. Copies of the annual financial report for RM can be obtained from the Risk Management Department of the San Diego County Office of Education, 6401 Linda Vista Road, San Diego, California, 92111.

NOTE 15 – SUBSEQUENT EVENTS

On July 1, 2012, the District issued \$15,000,000 of Tax and Revenue Anticipation Notes (TRANs) through a multiple agency agreement with the County of San Diego and San Diego County School Districts. The notes mature on June 30, 2013 and yield a 2% interest rate. The notes were issued to supplement cash flows. Interest and principal are due and payable in one payment on January 31, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

**OCEANSIDE UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 100,639,091	\$ 99,345,290	\$ 99,495,276	\$ 149,986
Federal sources	20,683,074	26,624,659	25,361,130	(1,263,529)
Other State sources	21,236,251	22,492,621	23,501,341	1,008,720
Other local sources	13,875,135	14,692,809	15,103,326	410,517
Total Revenues	156,433,551	163,155,379	163,461,073	305,694
EXPENDITURES				
Certificated salaries	78,776,311	80,108,552	79,255,598	852,954
Classified salaries	24,146,437	24,488,619	24,715,673	(227,054)
Employee benefits	33,737,020	33,838,261	32,244,760	1,593,501
Books and supplies	5,086,966	8,402,585	5,225,435	3,177,150
Services and other operating expenditures	15,439,474	16,794,339	15,652,088	1,142,251
Capital outlay	124,200	508,931	722,803	(213,872)
Other outgo				
Excluding transfers of indirect costs	145,000	492,154	340,632	151,522
Transfers of indirect costs	(304,598)	(315,281)	(306,177)	(9,104)
Total Expenditures	157,150,810	164,318,160	157,850,812	6,467,348
Excess (Deficiency) of Revenues				
Over Expenditures	(717,259)	(1,162,781)	5,610,261	6,773,042
Other Financing Sources (Uses)				
Transfers In	-	-	40,750	40,750
Transfers Out	-	(30,000)	(30,000)	-
Net Financing Sources (Uses)	-	(30,000)	10,750	40,750
NET CHANGE IN FUND BALANCE	(717,259)	(1,192,781)	5,621,011	6,813,792
Fund Balance - Beginning	22,938,311	22,938,311	22,938,311	-
Fund Balance - Ending	\$ 22,221,052	\$ 21,745,530	\$ 28,559,322	\$ 6,813,792

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$3,367,993 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education and Deferred Maintenance Funds in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2011	\$ -	\$ 8,100,356	\$ 8,100,356	0%	\$ 105,661,992	8%
April 1, 2009	\$ -	\$ 6,935,923	\$ 6,935,923	0%	\$ 110,971,959	6%

See accompanying note to required supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, the District incurred an excess of expenditures over appropriations in the General Fund presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	\$ 24,488,619	\$ 24,715,673	\$ 227,054
Capital outlay	\$ 508,931	\$ 722,803	\$ 213,872
Other outgo			
Transfers of indirect costs	\$ (315,281)	\$ (306,177)	\$ 9,104

SUPPLEMENTARY INFORMATION

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low -Income and Neglected	84.010	14329	\$ 5,753,616
ARRA - Title I - Part A	84.389	15005	1,343
Subtotal Title I, Part A Cluster			<u>5,754,959</u>
Adult Education: English Literacy and Civics Education	84.002A	14109	22,656
Title I, Migrant Education	84.011	14838	271,599
Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	26,529
Title II, Part A, Administrator Training	84.367	14344	240
Title II, Part A, Teacher Quality	84.367A	14341	869,548
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	9,900
ARRA - Education Technology State Grants	84.386	15019	79,776
Education Technology State Grants Cluster			<u>89,676</u>
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	797,821
Title IV, Part A, Drug-Free Schools	84.186	14347	9,375
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	272,177
Title VIII, Impact Aid	84.041	10015	6,597,436
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,224,220
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	181,702
Part B, Preschool Grants	84.173	13430	116,291
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	302,853
ARRA - Part B, Preschool Grants	84.392	15000	13,830
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	219,850
Preschool Staff Development	84.173A	13431	965
Subtotal Special Education Cluster			<u>4,059,711</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	147,545
Title X, McKinney-Vento Homeless Assistance	84.196	14332	25,780
Education Jobs Fund [1]	84.410	25152	3,759,914
Improvement of Education Cluster			
Elementary and Secondary School Counseling	84.215E	*	392,463
Readiness and Emergency Management	84.215E	*	73,688
Carol M. White Physical Education Program (PEP)	84.215E	*	245,699
Subtotal Improvement of Education Cluster			<u>711,850</u>
Total U. S. Department of Education			<u>23,416,816</u>

(Continued on following page)

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS , continued
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster [1]			
School Breakfast Program, Especially Needy	10.553	23668	1,010,515
National School Lunch Program	10.555	13391	3,902,098
Special Milk Program for Children	10.556	13392	182,711
Summer Food Service Program for Children	10.559	13004	214,771
Subtotal Child Nutrition Cluster			5,310,095
Child and Adult Care Food Program	10.558	13666	32,764
USDA Commodities [2]	10.558	13389	382,569
Fresh Fruit and Vegetable Program (FFVP)	10.582	14968	29,448
Total U. S. Department of Agriculture			5,754,876
U. S. DEPARTMENT OF DEFENSE:			
Targeted Intervention for Pendelton Students (TIPS)	12.557	*	238,578
Impact Aid Supplemental Program	12.558	*	940,633
Total U. S. Department of Defense			1,179,211
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Program Cluster			
Medi-Cal Billing Option	93.778	10013	274,281
Medi-Cal Administrative Activities (MAA)	93.778	*	308,037
Subtotal Medi-Cal Program Cluster			582,318
Total U. S. Department of Health & Human Services			582,318
Total Federal Expenditures			\$ 30,933,221

[1] - Major Program

[2] - In-Kind Contribution

* - PCS Number not available or not applicable

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2012**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,674	1,666
First through third	4,696	4,696
Fourth through sixth	4,027	4,013
Seventh through eighth	2,515	2,500
Home and hospital	2	2
Special education	488	499
Total Elementary	13,402	13,376
SECONDARY		
Regular classes	4,787	4,721
Continuation education	185	178
Home and hospital	4	5
Special education	280	278
Total Secondary	5,256	5,182
Total Average Daily Attendance	18,658	18,558

See accompanying note to supplementary information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83		1986-87		2011-12	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced	Actual Minutes		
Kindergarten	36,000	33,600	36,000	33,600	35,000	180	Complied
Grade 1	45,000	42,000	50,400	47,040	53,165	180	Complied
Grade 2	45,000	42,000	50,400	47,040	53,165	180	Complied
Grade 3	45,000	42,000	50,400	47,040	53,165	180	Complied
Grade 4	50,000	46,667	54,000	50,400	53,165	180	Complied
Grade 5	50,000	46,667	54,000	50,400	53,165	180	Complied
Grade 6	50,000	46,667	54,000	50,400	57,711	180	Complied
Grade 7	55,000	51,333	54,000	50,400	57,711	180	Complied
Grade 8	55,000	51,333	54,000	50,400	57,711	180	Complied
Grade 9	61,300	57,213	64,800	60,480	63,480	180	Complied
Grade 10	61,300	57,213	64,800	60,480	63,480	180	Complied
Grade 11	61,300	57,213	64,800	60,480	63,480	180	Complied
Grade 12	61,300	57,213	64,800	60,480	63,480	180	Complied

See accompanying note to supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

	2013 (Budget)	2012	2011	2010
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 145,219,082	\$ 163,501,823	\$ 161,076,857	\$ 159,491,942
Expenditures And Other Financing Uses	161,691,051	157,880,812	153,142,429	169,188,657
Net change in Fund Balance	\$ (16,471,969)	\$ 5,621,011	\$ 7,934,428	\$ (9,696,715)
Ending Fund Balance	\$ 12,087,353	\$ 28,559,322	\$ 22,938,311	\$ 15,003,883
Available Reserves*	\$ 7,977,946	\$ 22,591,080	\$ 16,443,503	\$ 6,582,304
Available Reserves As A Percentage Of Outgo	4.93%	14.31%	10.74%	3.89%
Long-term Debt	\$ 248,986,893	\$ 249,661,893	\$ 229,879,525	\$ 203,260,026
Average Daily Attendance At P-2	18,658	18,658	18,808	19,132

The General Fund balance has increased by \$13,555,439 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$16,471,969. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past two years and anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long term obligations have increased by \$46,401,867 over the past two years.

Average daily attendance has decreased by 474 ADA over the past two years. No change in ADA is anticipated during the 2012-13 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education and Deferred Maintenance Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54, and on behalf payments of \$3,367,993.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Deferred Maintenance Fund
June 30, 2012, annual financial and budget report fund balance	\$ 28,559,322	\$ 2,024,276
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB54)	2,024,276	(2,024,276)
Net adjustments and reclassifications	2,024,276	(2,024,276)
June 30, 2012, audited financial statement fund balance	\$ 30,583,598	\$ -

See accompanying note to supplementary information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012**

Charter School	Status	Included in Audit Report
Coastal Academy	Active	Not Included
Pacific View Charter	Active	Not Included

See accompanying note to supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FOR THE YEAR ENDED JUNE 30, 2012

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 8,063	\$ 1,798,378	\$ 4,598,618	\$ -	\$ 5,463,561	\$ 11,868,620
Accounts receivable	155,866	1,635,075	3,922	543	-	1,795,406
Due from other funds	-	27,641	-	-	-	27,641
Stores inventory	-	252,172	-	-	-	252,172
Total Assets	\$ 163,929	\$ 3,713,266	\$ 4,602,540	\$ 543	\$ 5,463,561	\$ 13,943,839
LIABILITIES						
Accrued liabilities	\$ 10,190	\$ 219,519	\$ 311,566	\$ -	\$ -	\$ 541,275
Due to other funds	101,242	259,231	7,313	543	-	368,329
Total Liabilities	111,432	478,750	318,879	543	-	909,604
FUND BALANCES						
Non-spendable	-	262,172	-	-	-	262,172
Restricted	52,497	2,972,344	4,283,661	-	5,463,561	12,772,063
Total Fund Balances	52,497	3,234,516	4,283,661	-	5,463,561	13,034,235
Total Liabilities and Fund Balance	\$ 163,929	\$ 3,713,266	\$ 4,602,540	\$ 543	\$ 5,463,561	\$ 13,943,839

See accompanying note to supplementary information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES						
Federal sources	\$ -	\$ 5,754,876	\$ -	\$ -	\$ -	\$ 5,754,876
Other State sources	1,149,728	441,962	-	2,837,408	77,262	4,506,360
Other local sources	815	1,576,633	512,485	7,917	7,266,346	9,364,196
Total Revenues	1,150,543	7,773,471	512,485	2,845,325	7,343,608	19,625,432
EXPENDITURES						
Current						
Instruction	862,999	-	-	-	-	862,999
Instruction-related services						
Instructional supervision and administration	127,936	-	-	-	-	127,936
School site administration	4,665	-	-	-	-	4,665
Pupil services						
Food services	-	7,652,312	-	-	-	7,652,312
All other pupil services	488	-	-	-	-	488
General administration						
All other general administration	39,372	266,768	25,534	-	-	331,674
Plant services	79,004	-	586,414	-	-	665,418
Facilities acquisition and maintenance	-	-	342,459	3,798,033	-	4,140,492
Debt service						
Principal	-	-	-	-	1,075,000	1,075,000
Interest and other	-	-	-	-	6,450,753	6,450,753
Total Expenditures	1,114,464	7,919,080	954,407	3,798,033	7,525,753	21,311,737
Excess (Deficiency) of Revenues						
Over Expenditures	36,079	(145,609)	(441,922)	(952,708)	(182,145)	(1,686,305)
Other Financing Sources (Uses)						
Other Sources	-	-	-	-	375,000	375,000
Transfers Out	-	(40,750)	-	(918,154)	-	(958,904)
Net Financing Sources (Uses)	-	(40,750)	-	(918,154)	375,000	(583,904)
NET CHANGE IN FUND BALANCE	36,079	(186,359)	(441,922)	(1,870,862)	192,855	(2,270,209)
Fund Balance - Beginning	16,418	3,420,875	4,725,583	1,870,862	5,270,706	15,304,444
Fund Balance - Ending	\$ 52,497	\$ 3,234,516	\$ 4,283,661	\$ -	\$ 5,463,561	\$ 13,034,235

See accompanying note to supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2012 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2012.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 31,138,662
Medi-Cal Billing Option	93.778	<u>(205,441)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 30,933,221</u>

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 requirements, whichever is greater, as required by *Education Code Section 46201*. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections 46201.2 and 46201.3*.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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 Annual Financial and Budget Report Unaudited Actuals 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 on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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Governing Board
Oceanside Unified School District
Oceanside, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oceanside Unified School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2012. 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

Management of Oceanside Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Oceanside Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oceanside Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oceanside Unified School District's internal control over financial reporting.

A 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 6, 2012

**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board
Oceanside Unified School District
Oceanside, California

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 its major federal programs for the year ended June 30, 2012. Oceanside Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oceanside Unified School District's management. Our responsibility is to express an opinion on Oceanside Unified School District's compliance based on our audit.

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

In our opinion, Oceanside Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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Internal Control over Compliance

Management of Oceanside Unified School District 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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 governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christy White Associates

San Diego, California
December 6, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Oceanside Unified School District
 Oceanside, California

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

We have audited Oceanside Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Oceanside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oceanside Unified School District's compliance with the state laws and regulations referred to above.

In connection with the audit referred to above, we selected and tested transactions and records to determine Oceanside Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County offices of education	3	Not Applicable

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PROGRAM NAME	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
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Contemporaneous Records of Attendance; for charter schools	3	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

In our opinion, Oceanside Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12* and which are reported in the accompanying Schedule of Findings and Questioned Costs as Finding #2012-1.

Oceanside Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Oceanside Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christy White Associates

San Diego, California
December 6, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>	
<u>84.410</u>	<u>Education Jobs Fund</u>	
<u>10.553, 10.555, 10.556, 10.559</u>	<u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>928,000</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?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings related to the financial statements during 2011-12.

OCEANSIDE UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings and questioned costs related to federal awards during 2011-12.

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

10000
40000
41000
60000
61000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
CalSTRS
Miscellaneous
Classroom Teacher Salaries
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2012-1: TEACHER MISASSIGNMENT (71000)

Criteria: Per California *Education Code Section* 19817.2, teachers assigned to teach a class in which more than twenty percent of the pupils are English learners must be authorized to instruct limited-English proficient pupils.

Condition: In our testing of teacher assignments, we found one teacher was assigned to teach a class which was comprised of greater than twenty percent of pupils whom were English learners; however, the teacher was not authorized to instruct limited-English proficient pupils.

Cause: Insufficient controls over monitoring teacher credentialing and assignments

Effect: Noncompliance with State requirements

Questioned Cost: None

Recommendation: We recommend that the District implement appropriate internal control procedures over teacher assignments to ensure that all teachers obtain appropriate credentials and are given appropriate courses to provide instruction.

District Response: We have identified and have been working with the individual teacher that did not process the appropriate limited-English teacher certification. The teacher is currently enrolled in a program to complete the requirements for the Certificate of Completion of Staff Development (CCSD) and is due to finish the program this January. In the meantime, the teacher has applied for a Variable Term Waiver to authorize him to teach limited-English proficient pupils. The Human Resources department has promptly implemented a procedure to properly track teacher certifications and, as a general requirement, ensures all teachers hold the required clearance to teach limited-English students.

OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2011-1: STUDENT BODY FUNDS (30000)

Criteria: There should be proper oversight by the District to ensure adequate internal controls over cash receipts and disbursements of student body funds are implemented at the school site. Sound internal controls for handling cash discourage theft of student body funds and protect those who handle the cash. Sufficient internal controls over cash disbursements include preapproval of expenses to ensure expenses are properly budgeted for and funds are spent for purposes of benefiting the student body.

Condition: Internal controls over cash receipts and disbursements for student body funds at Oceanside High School were not adequate to sufficiently support the amount of cash collected from fundraising events nor was documentation for disbursements sufficient enough to indicate preapproval of expenses.

Context: During our testing of cash receipts and disbursements at Oceanside High School, we noted the following:

Seven out of eighteen deposits tested were not supported by adequate documentation, such as a receipt, prenumbered ticket, tally sheet, etc. The inadequately supported cash receipts are as follows:

1. Football ticket sales totaling \$8,355 deposited on September 23, 2010
2. Football concession sales totaling \$952.01 deposited on October 10, 2010
3. Servit event ticket sales totaling \$1,745 deposited on December 7, 2010
4. Breast Cancer donation of \$536.30 deposited on December 7, 2010
5. Yearbook prompt sales of \$150.00 deposited on January 10, 2011
6. Surf donation of \$1,000 deposited on February 8, 2011
7. Play performance proceeds totaling \$1,360 deposited on February 17, 2011

Seven out of fifteen cash disbursements tested did not have a date noted on the payment requisition to indicate that the expense was preapproved prior to issuance of payment. Preapproval of expenses were questionable for the following checks:

1. Check No. 29754 for \$920 paid to Robbin Pollard (individual) on August 10, 2010
2. Check No. 29768 for \$7,568.25 paid to TWIGGS on September 16, 2010
3. Check No. 29761 for \$506.59 paid to Alert Services, Inc. on September 16, 2010
4. Check No. 1109 for \$2,000 paid to Coolbreeze Entertainment on December 6, 2010
5. Check No. 1153 for \$149.25 paid to Nancy Miller (individual) on December 15, 2010
6. Check No. 1213 for \$1,222.28 paid to Great American Opportunities on January 19, 2011
7. Check No. 1306 for \$3,001.92 paid to MCCSS South Mesa Club on February 2, 2011

OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2011-1: STUDENT BODY FUNDS (30000) (continued)

Effect: Inadequate internal controls over cash receipts can potentially lead to accusations of fraud or errors in reporting. Payments made without preapproval from the student body, the student body advisor and a District administrator can potentially lead to improper use of student body funds.

Cause: Proper cash control procedures were not followed for all fundraising events and a number of payment requisitions were not completed appropriately due to staff turnover in both the advisor and bookkeeper positions at the noted high school.

Recommendation: We recommend that the District refer to the Associated Student Body Accounting Manual published by the Fiscal Crisis and Management Assistance Team (FCMAT) in order to implement adequate internal control procedures to prevent the misuse of student body funds and ensure for the protection of student body assets, as well as, the protection of students, employees and staff who handle cash from accusations or errors.

District Response: The new advisor and bookkeeper received training in ASB procedures utilizing the District ASB manual in conjunction with the FCMAT ASB manual throughout the school year. Additionally, the District Office representative met regularly with them to provide training and assistance.

Current Status: Implemented

OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2011-2: SCHOOL ACCOUNTABILITY REPORT CARD (SARC) (72000)

Criteria: As required under the provisions of subdivision (b)(8) of California Education Code Section 33126, the District must include in the school accountability report card (SARC), for each school site, data on the safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair. This data is obtained through documentation of a physical observation of the school site on a Facility Inspection Tool (FIT) form. The purpose of the SARC is to provide data to student parent/guardians as meaningful comparison between public schools that will enable him/her to make informed decisions on the school in which to enroll his/her child(ren).

Condition: We noted that information reported on school facilities in the SARCs for Santa Margarita and Fousatt Elementary Schools did not correlate with the data reported on the FIT forms. The FIT form for Santa Margarita Elementary noted structural areas of the school to be “poor,” yet the SARC reported this area as “good.” Conversely, the FIT form for Fousatt Elementary noted overall facilities to be “exemplary,” yet the SARC reported the overall condition to be “good.”

Effect: The District is not in compliance with California Education Code 33126. Additionally, a parent/guardian could potentially rely on the misinformation reported within the SARC.

Cause: The District contracts the services of an external company to compile the necessary data and prepare the SARCs for each of its school sites. There was an error made by the company in preparation of the SARC for the two school sites noted above.

Questioned Cost: Unknown

Recommendation: We recommend that a District employee carefully review a draft of the SARC report prior to presenting the SARC to the public to ensure reported data corresponds to the documentation used to collect the assessment information of the school.

District Response: District staff will coordinate with SARC reporting prior to submission and ensure proper reporting of school assessment information.

Current Status: Implemented