

OCEANSIDE UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2011



OCEANSIDE UNIFIED SCHOOL DISTRICT
OF SAN DIEGO COUNTY

OCEANSIDE, CALIFORNIA

JUNE 30, 2011

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

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
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
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, 2011, 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; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. 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 the Oceanside Unified School District, as of June 30, 2011, 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 5, 2011 on our consideration of the 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.

SAN DIEGO

RANCHO CUCAMONGA

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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 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was 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*, the Combining Statements – Non-Major Governmental Funds, Is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christ White Accountancy Corporation

San Diego, California

December 5, 2011

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

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, 2011. 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 \$7.4 million in 2010-11, due partially to the receipt of over \$2 million in federal ARRA funds. The fund balance of the General Fund was \$25.5 million with available reserves of 10.5%.
- ▶ The District continued to maintain minimum state-required reserves, with \$16.4 million designated for economic uncertainties at year-end, which is \$9.9 million more than the prior year.
- ▶ Student enrollment decreased by 315 pupils in 2010-11 compared to the prior year.
- ▶ New construction and modernization of Santa Margarita Elementary School was completed in May 2011. The athletic facilities at both the El Camino and Oceanside High Schools were finalized in October 2010. El Camino High School had some improvements to the Stadium Plaza, which was a continuance of the athletic facility project and was started and finished in 2011. The new Career Technology buildings at Oceanside High School started production in August 2010 and should be putting the finishing touches on by August 2011. Renovation began in January for new construction and modernization of Libby Elementary School, which is expected to be completed in January 2012. The start of the new Oceanside High School Music Building was launched in June 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 2010-11 fiscal year.
- ▶ District long-term liabilities increased \$26.6 million, due to the issuance of 2008 Election Series B bonds and unfunded other post-employment liability.
- ▶ Overall, net assets increased by \$15.0 million for the District as a whole.

OVERVIEW OF FINANCIAL STATEMENTS

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
JUNE 30, 2011

OVERVIEW OF FINANCIAL STATEMENTS (continued)

- ▶ **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 District experienced an increase in net assets. To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

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 (Unaudited), continued
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$149.6 million at June 30, 2011, as reflected in Table A-1 below. Of this amount, almost \$15.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School 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		Total Percentage Change
	2010	2011	2010-11
Current assets	\$ 102,090,927	\$ 100,226,141	-2%
Noncurrent assets	258,627,660	295,148,849	14%
Total assets	360,718,587	395,374,990	10%
Current liabilities	24,735,333	16,731,962	-32%
Noncurrent liabilities	201,380,026	229,059,525	14%
Total liabilities	226,115,359	245,791,487	9%
Invested in capital assets, net of related debt	112,676,235	114,946,136	2%
Restricted	11,991,564	18,890,763	58%
Unrestricted	9,935,427	15,746,604	58%
Total net assets	\$ 134,603,228	\$ 149,583,503	11%

Changes in Net Assets

As shown in Table A-2 of the following page, the District's total revenues were nearly \$196.5 million. The majority of the revenue comes from Revenue Limit and property taxes (51%). Impact Aid (including Supplemental Impact Aid) accounted for 3% of revenues. Other federal and state aid for specific programs accounted for another 33% of total revenues. Miscellaneous local sources accounted for the remaining 13%. Revenues increased primarily due to additional federal income received for the remainder of funding from the American Recovery and Reinvestment Act (ARRA) and Supplemental Impact Aid from the Department of Defense.

OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The total cost of all programs and services was \$181.5 million. The District's expenses are predominately related to educating and caring for students (68%). Pupil Services (including transportation and food) account for 12% 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%). Expenditures decreased primarily due to the implementation of furlough days which cut expenses for salaries and benefits.

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

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 4,693,668	\$ 4,664,788	-1%
Operating grants and contributions	41,757,579	39,159,775	-6%
Capital grants and contributions	24,351	16,145,798	66204%
<i>General revenues</i>			
Property taxes	49,148,721	46,011,791	-6%
Other revenues	80,046,792	90,519,820	13%
Total revenues	175,671,111	196,501,972	12%
Expenses:			
Instruction-related	131,268,415	123,062,786	-6%
Student support services	22,147,053	22,359,053	1%
Maintenance and operations	17,203,000	16,516,050	-4%
Administration	9,994,623	8,384,238	-16%
Other expenses	9,354,758	11,199,570	20%
Total expenses	189,967,849	181,521,697	-4%
Change in net assets	\$(14,296,738)	\$ 14,980,275	-205%

OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
JUNE 30, 2011

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 \$181.5 million (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$46.0 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 (\$55.3 million) or through other federal, state and local sources (\$121.6 million).

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

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 123,062,786	\$ 75,362,137
Pupil support services	22,359,053	11,241,584
Maintenance and operations	16,516,050	16,290,651
Administration	8,384,238	7,658,715
Other expenses	11,199,570	10,998,249
Total expenses	\$ 181,521,697	\$ 121,551,336

FINANCIAL ANALYSIS OF THE DISTRICT'S 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 \$85.3 million, which is greater than last year's ending fund balance of approximately \$77.3 million. The District's General Fund had \$7.5 million more in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

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 (Unaudited), continued
JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010-11 the District had invested \$358.6 million in new capital assets.

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

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Land	\$ 16,825,171	\$ 16,825,171	0%
Land improvements	7,481,923	7,496,960	0%
Buildings and improvements	240,872,635	298,807,606	24%
Furniture and equipment	16,034,303	16,117,454	1%
Construction in progress	36,917,772	19,304,283	-48%
Total capital assets	\$ 318,131,804	\$ 358,551,474	13%

Long-Term Debt

At year-end, the District had nearly \$229.9 million in long-term debt, an increase of 13% 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		Total Percentage Change
	2010	2011	2010-11
General obligation bonds	\$ 197,488,934	\$ 224,771,959	14%
Issuance costs/premiums	3,913,606	3,766,235	-4%
Certificates of participation	625,000	-	-100%
Compensated absence	861,845	903,135	5%
Net OPEB obligations	370,641	438,196	18%
Total long-term debt	\$ 203,260,026	\$ 229,879,525	13%

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
JUNE 30, 2011**

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. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2012-13 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 2011-12 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have any questions about this report, or need 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, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 68,019,275
Accounts receivable	31,752,887
Inventory	255,980
Prepaid expenses	197,999
Total current assets	100,226,141
Deferred cost of debt issuance	2,481,409
Capital assets, non-depreciable	36,129,454
Capital assets, depreciable, net	256,537,986
Total non-current assets	295,148,849
Total Assets	395,374,990
LIABILITIES	
Accrued liabilities	11,984,136
Deferred revenue	3,927,826
Long-term liabilities, current portion	820,000
Total current liabilities	16,731,962
Long-term liabilities, non-current portion	229,059,525
Total Liabilities	245,791,487
NET ASSETS	
Invested in capital assets, net of related debt	114,946,136
Restricted for	
Capital projects	6,596,445
Debt service	5,270,706
Educational programs	7,023,612
Unrestricted	15,746,604
Total Net Assets	\$ 149,583,503

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Function/Programs	Expenses	Program Revenues			Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 104,761,267	\$ 2,853,544	\$ 24,253,702	\$ 16,145,798	\$ (61,508,223)
Instruction-related services					
Instructional supervision and administration	3,561,746	39,578	1,421,370	-	(2,100,798)
Instructional library, media, and technology	2,893,787	4,992	77,884	-	(2,810,911)
School site administration	11,845,986	7,516	2,896,265	-	(8,942,205)
Pupil services					
Home-to-school transportation	6,112,165	57,935	2,845,054	-	(3,209,176)
Food services	7,331,435	1,500,728	5,311,624	-	(519,083)
All other pupil services	8,915,453	3,751	1,398,377	-	(7,513,325)
General administration					
Centralized data processing	1,977,456	12,148	11,518	-	(1,953,790)
All other general administration	6,406,782	71,435	630,422	-	(5,704,925)
Plant services	16,516,050	13,235	212,164	-	(16,290,651)
Ancillary services	154,777	-	-	-	(154,777)
Community services	143,292	8,332	5,510	-	(129,450)
Interest on long-term debt	10,502,234	-	-	-	(10,502,234)
Transfer to other agencies	399,267	91,594	95,885	-	(211,788)
Total Governmental Activities	\$ 181,521,697	\$ 4,664,788	\$ 39,159,775	\$ 16,145,798	(121,551,336)
General revenues					
Taxes and subventions					
					38,903,631
					6,861,578
					246,582
					88,180,726
					326,827
					2,012,267
					136,531,611
CHANGE IN NET ASSETS					
					14,980,275
Net Assets - Beginning					
					134,603,228
Net Assets - Ending					
					\$ 149,583,503

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,759,356	\$ 46,288,838	\$ 14,503,844	\$ 67,552,038
Accounts receivable	29,461,608	579,452	1,061,319	31,102,379
Due from other funds	455,320	1,649	29,404	486,373
Stores inventory	32,348	-	223,632	255,980
Prepaid expenditures	128,000	-	-	128,000
Total Assets	\$ 36,836,632	\$ 46,869,939	\$ 15,818,199	\$ 99,524,770
LIABILITIES				
Accrued liabilities	\$ 7,187,905	\$ 2,233,792	\$ 221,367	\$ 9,643,064
Due to other funds	186,055	181,172	292,388	659,615
Deferred revenue	3,927,826	-	-	3,927,826
Total Liabilities	11,301,786	2,414,964	513,755	14,230,505
FUND BALANCES				
Nonspendable	240,348	-	233,632	473,980
Restricted	3,819,951	44,454,975	15,070,812	63,345,738
Committed	1,078,996	-	-	1,078,996
Assigned	3,952,048	-	-	3,952,048
Unassigned	16,443,503	-	-	16,443,503
Total Fund Balances	25,534,846	44,454,975	15,304,444	85,294,265
Total Liabilities and Fund Balances	\$ 36,836,632	\$ 46,869,939	\$ 15,818,199	\$ 99,524,770

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, 2011**

Total Fund Balance - Governmental Funds \$ 85,294,265

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	\$ 358,551,474	
Accumulated depreciation	65,884,034	292,667,440

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:

2,481,409

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:

(2,090,412)

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:

General obligation bonds payable	224,771,959	
General obligation bond premiums	3,766,235	
Compensated absences	903,135	
Net OPEB obligation	438,196	(229,879,525)

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:

1,110,326

Total Net Assets - Governmental Activities \$ 149,583,503

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 BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 100,959,909	\$ -	\$ -	\$ 100,959,909
Federal sources	21,526,272	-	5,056,489	26,582,761
Other state sources	26,498,626	-	17,846,719	44,345,345
Other local sources	15,369,632	229,075	9,015,252	24,613,959
Total Revenues	164,354,439	229,075	31,918,460	196,501,974
EXPENDITURES				
Current				
Instruction	102,342,223	-	1,032,122	103,374,345
Instruction-related services				
Instructional supervision and administration	3,378,259	-	98,051	3,476,310
Instructional library, media, and technology	1,425,128	-	-	1,425,128
School site administration	11,840,308	-	2,777	11,843,085
Pupil services				
Home-to-school transportation	4,986,153	-	-	4,986,153
Food services	266	-	6,578,098	6,578,364
All other pupil services	8,924,749	-	357	8,925,106
General administration				
Centralized data processing	1,246,079	-	-	1,246,079
All other general administration	5,630,961	-	310,249	5,941,210
Plant services	15,546,461	34,245	270,072	15,850,778
Facilities acquisition and maintenance	270,397	30,916,389	9,176,594	40,363,380
Ancillary services	154,776	-	-	154,776
Community services	142,703	-	-	142,703
Transfers to other agencies	87,699	-	-	87,699
Debt service				
Principal	625,000	-	1,575,000	2,200,000
Interest and other	288,624	243,750	6,331,895	6,864,269
Total Expenditures	156,889,786	31,194,384	25,375,215	213,459,385
Excess (Deficiency) of Revenues				
Over Expenditures	7,464,653	(30,965,309)	6,543,245	(16,957,411)
Other Financing Sources (Uses)				
Transfers in	-	5,113,378	13,572	5,126,950
Other sources	-	25,000,000	-	25,000,000
Transfers out	(13,572)	-	(5,113,379)	(5,126,951)
Net Financing Sources (Uses)	(13,572)	30,113,378	(5,099,807)	24,999,999
NET CHANGE IN FUND BALANCE	7,451,081	(851,931)	1,443,438	8,042,588
Fund Balance - Beginning, as originally stated	15,003,883	45,306,906	16,940,888	77,251,677
Adjustments for restatement	3,079,882	-	(3,079,882)	-
Fund Balance - Beginning, as restated	18,083,765	45,306,906	13,861,006	77,251,677
Fund Balance - Ending	\$ 25,534,846	\$ 44,454,975	\$ 15,304,444	\$ 85,294,265

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 BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds \$ 8,042,588

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: \$	40,707,793
	Depreciation expense:	6,644,894
		34,062,899

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,200,000

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: (25,000,000)

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:	243,750
	Issue costs amortized for the period:	46,486
		197,264

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (23,119)

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: (4,146,797)

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: (41,290)

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: (67,555)

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: (243,715)

Change in net assets of Governmental Activities	\$	14,980,275
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The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Governmental Activities
	Internal Service Fund
	Self-Insurance
ASSETS	
Cash and cash equivalents	\$ 467,237
Accounts receivable	650,508
Due from other funds	173,241
Prepaid expenses	70,000
Total Assets	1,360,986
LIABILITIES	
Accrued liabilities	250,660
Total Liabilities	250,660
NET ASSETS	
Unrestricted	1,110,326
Total Net Assets	\$ 1,110,326

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Activities
	Internal Service Fund
	Self-Insurance
OPERATING REVENUE	
Charges to other funds	\$ 4,709,719
Other local revenues	194,400
Total operating expenses	4,904,119
OPERATING EXPENSE	
Insurance expense	5,152,408
Total operating expenses	5,152,408
OPERATING LOSS	(248,289)
NON-OPERATING REVENUES	
Interest income	4,574
Total non-operating revenues	4,574
CHANGE IN NET ASSETS	(243,715)
Net Assets - Beginning	1,354,041
Net Assets - Ending	\$ 1,110,326

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, 2011

	Governmental Activities
	Internal Service Fund
	Self-Insurance
Cash flows from operating activities	
Cash received from assessments made from other funds	\$ 4,696,125
Cash payments for insurance	(5,151,480)
Net cash used by operating activities	(455,355)
Cash flows from non-capital financing activities	
Interfund payables/(receivables)	(173,241)
Net cash used by non-capital financing activities	(173,241)
Cash flows from investing activities	
Interest received	4,574
Net cash provided by investing activities	4,574
NET DECREASE IN CASH	(624,022)
CASH	
Beginning of year	1,091,259
End of year	\$ 467,237
Reconciliation of operating loss to cash used in operating activities	
Operating loss	\$ (248,289)
Increase in accounts receivable	(207,994)
Increase in accounts payable	928
Net cash used by operating activities	\$ (455,355)

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Student Body Funds	
	<hr/>	
ASSETS		
Cash and cash equivalents	\$	576,927
Accounts receivable		2,950
Stores inventory		50,598
Total Assets	\$	630,475
<hr/>		
LIABILITIES		
Due to student groups	\$	630,475
Total Liabilities	\$	630,475
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The accompanying notes are an integral part of these financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 Unit

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, 2011

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 fiduciary funds. Separate statements for each fund category – *governmental* 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 LEA, 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 LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. 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 an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA 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 (Fund 21) 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, 2011

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

D. Basis of Presentation (*continued*)

Non-Major Governmental 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 an LEA 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 (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA'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 LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) 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, 2011

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

D. Basis of Presentation (*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 an LEA (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 (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA'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 LEA 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 an LEA. 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 LEA'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).

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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.

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.

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.

All governmental funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

E. Basis of Accounting – Measurement Focus (*continued*)

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K-12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

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 combined 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 they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

F. Assets, Liabilities, and Net Assets (*continued*)

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 the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 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 long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

F. Assets, Liabilities, and Net Assets (*continued*)

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. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

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.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

F. Assets, Liabilities, and Net Assets (*continued*)

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. The District has related debt outstanding as of June 30, 2011. 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. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

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 been included as revenue and expenditures as required under generally accepted accounting principles.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

Cash balances as of June 30, 2011 consist of the following:

	Governmental Funds	Proprietary Funds	Total Governmental Activities	Fiduciary Funds
Cash in county treasury	\$ 67,200,327	\$ 467,237	\$ 67,667,564	\$ -
Cash on hand and in banks	351,711	-	351,711	576,927
Total	\$ 67,552,038	\$ 467,237	\$ 68,019,275	\$ 576,927

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 San Diego County Investment Pool.

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS 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 examples of the investment types permitted in the investment policy:

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

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 pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment with the San Diego County Investment Pool with a fair value of approximately \$68,046,502 and an amortized book value of \$67,667,564. The average weighted maturity for the investment pool is 425 days.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS 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 District's investments in the county pool are not required to be rated. The U.S. Treasuries reflected a AAA rating.

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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance of \$928,638 was fully insured.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Self-Insurance	Total Governmental Activities
Federal Government					
Categorical Aid	\$ 2,660,372	\$ 528,125	\$ 816,378	\$ -	\$ 4,004,875
State Government					
Apportionment	18,771,820	-	-	-	18,771,820
Categorical Aid	1,125,215	-	198,461	-	1,323,676
Lottery	1,174,871	-	-	-	1,174,871
Local Government					
Interest	38,529	51,327	10,107	-	99,963
Special Education	2,202,497	-	-	-	2,202,497
Other Local Sources	3,488,304	-	36,373	650,508	4,175,185
Total	\$ 29,461,608	\$ 579,452	\$ 1,061,319	\$ 650,508	\$ 31,752,887

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 16,825,171	\$ -	\$ -	\$ 16,825,171
Construction in progress	36,917,772	13,473,227	31,086,716	19,304,283
Total Capital Assets not Being Depreciated	53,742,943	13,473,227	31,086,716	36,129,454
Capital assets being depreciated				
Land improvements	7,481,923	15,037	-	7,496,960
Buildings & improvements	240,872,635	57,934,971	-	298,807,606
Furniture & equipment	16,034,303	371,274	288,123	16,117,454
Total Capital Assets Being Depreciated	264,388,861	58,321,282	288,123	322,422,020
Less Accumulated Depreciation				
Land improvements	3,887,907	2,720	-	3,890,627
Buildings & improvements	41,781,350	5,525,047	-	47,306,397
Furniture & equipment	13,834,887	1,117,127	265,004	14,687,010
Total Accumulated Depreciation	59,504,144	6,644,894	265,004	65,884,034
Governmental Activities				
Capital Assets, net	\$ 258,627,660	\$ 65,149,615	\$ 31,109,835	\$ 292,667,440

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

Instruction	\$ 1,074,787
Instructional supervision and administration	69,649
Instructional library, media and technology	1,472,605
Home-to-school transportation	1,335,967
Food Services	792,688
Data processing	457,564
Other general administration	748,865
Plant services	692,769
Total Depreciation Expense	\$ 6,644,894

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual fund receivable and payable balances as of June 30, 2011 are as follows:

Due To Other Funds	Due From Other Funds				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Self-Insurance	
General Fund	\$ -	\$ 1,649	\$ 11,166	\$ 173,242	\$ 186,057
Building Fund	181,170	-	-	-	181,170
Non-Major Funds	274,150	-	18,238	-	292,388
Total Due From Other Funds	\$ 455,320	\$ 1,649	\$ 29,404	\$ 173,242	\$ 659,615
General Fund due to Child Development Fund to reduce indirect over-charged				\$	3,326
General Fund due to Cafeteria Fund for cafeteria sales					7,840
General Fund due to Building Fund for sales tax credited					1,649
General Fund due to Self Insurance Fund to correct Sept to April deposits					173,242
Child Development Fund due to General Fund for loan to cover expenses					200,000
Child Development Fund due to General Fund for Federal interest paid					10
Child Development Fund due to General Fund for PERS reduction					1,064
Child Development Fund due to General Fund for OPEB					3,115
Child Development Fund due to General Fund for workers compensation					2,890
Child Development Fund due to General Fund for allocation of expenses					7,500
Child Development Fund due to Cafeteria Fund for cafeteria sales					18,238
Cafeteria Fund due to General Fund for PERS reduction					20,027
Cafeteria Fund due to General Fund for indirect charges					3,729
Cafeteria Fund due to General Fund for allocation of expenses					2,268
Cafeteria Fund due to General Fund for workers compensation					10,752
Cafeteria Fund due to General Fund for OPEB					13,688
Building Fund due to General Fund for PERS reduction					573
Building Fund due to General Fund for OPEB					330
Building Fund due to General Fund for workers compensation					267
Building Fund due to General Fund for other expenses/direct cost					180,000
Capital Facilities Fund due to General Fund for 3% Admin expense					9,107
Total				\$	659,615

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers during the fiscal year ending June 30, 2011 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	Building Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 13,572	\$ 13,572
Non-Major Fund	5,113,378	-	5,113,378
Total Interfund Transfers	\$ 5,113,378	\$ 13,572	\$ 5,126,950
Transfer from the County School Facility Fund to the Building fund for prior year expenses			\$ 5,113,378
Transfer from the General Fund to Child Development Fund for unauthorized prior year expenses			13,572
Total			\$ 5,126,950

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental		Total Governmental
			Funds	Self-Insurance	Activities
Payroll	\$ 1,357,605	\$ 713	\$ 111,435	\$ -	\$ 1,469,753
Construction	-	2,233,079	13,687	-	2,246,766
Other liabilities	-	-	-	-	-
Health benefits payable	2,892,719	-	-	250,660	3,143,379
Prepaid meals	-	-	62,405	-	62,405
Other liabilities	2,937,581	-	33,840	-	2,971,421
Interest on long-term debt	-	-	-	-	2,090,412
Total	\$ 7,187,905	\$ 2,233,792	\$ 221,367	\$ 250,660	\$ 11,984,136

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 7 – CURRENT LOANS

On July 1, 2010, the District retired a \$12,920,000 Tax Revenue Anticipation Notes (TRAN) and issued a \$12,225,000 TRAN. The TRAN was issued through a multiple agency agreement with the County of San Diego and County of San Diego School Districts. The TRAN has an interest rate of 2.0% and matures on June 30, 2011. The TRANs were issued to supplement cash flow. The District repaid the note in two payments of \$6,213,696 paid on January 31, 2011 and April 29, 2011. The District is not required to make any additional payments on the note. The District has recorded the cash available to make the principal and interest payments as Investments.

NOTE 8 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	<u>General Fund</u>
Federal sources	\$ 3,727,458
State categorical sources	17,007
Local deferrals	183,361
Total	\$ 3,927,826

NOTE 9 – LONG-TERM DEBT

A. Long-Term Debt Summary

A summary of long-term liabilities as of June 30, 2011 are as follows:

	<u>Balance</u>	<u>Accretion/</u>		<u>Balance</u>	<u>Balance Due</u>
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>	<u>In One Year</u>
Governmental Activities					
General Obligation (GO) Bonds	\$ 197,488,934	\$ 28,858,025	\$ 1,575,000	\$ 224,771,959	\$ 820,000
Issuance costs/premiums	3,913,606	-	147,371	3,766,235	-
Certificates of Participation (COPs)	625,000	-	625,000	-	-
Compensated absences	861,845	41,290	-	903,135	-
Net OPEB obligations	370,641	67,555	-	438,196	-
Total	\$ 203,260,026	\$ 28,966,870	\$ 2,347,371	\$ 229,879,525	\$ 820,000

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

B. Bonded Debt

The outstanding bonded debt as of June 30, 2011 consists of the following:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Issuance/ Accretion	Redeemed	Bonds Outstanding June 30, 2011
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	21,615,000	-	555,000	21,060,000
2000 Election, Series E	06/22/05	08/01/04	3.0-5.0%	25,000,000	22,630,000	-	520,000	22,110,000
2000 Election, Series F	06/20/06	08/01/35	4.0-7.0%	25,500,000	23,995,000	-	500,000	23,495,000
2008 Election, Series A	03/04/09	08/01/31	3.8-8.0%	49,995,054	51,984,068	1,707,299	-	53,691,367
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	30,514,866	2,150,726	-	32,665,592
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
				<u>Total</u>	<u>\$197,488,934</u>	<u>\$ 28,858,025</u>	<u>\$ 1,575,000</u>	<u>\$224,771,959</u>

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 and 2011, \$16,600,000 and \$14,320,000, respectively, in refunding bonds were issued to advance refund a portion of the original issuances. The proceeds associated with the refunding bonds were deposited in an escrow fund for future payment. The portion of the original bonds refunded is considered fully defeased and are not recorded on the financial statements. The total outstanding balance of Election 2000 bonds, including the refunding bonds, as of June 30, 2011 amounted to \$113,415,000.

Election of 2008 Proposition H General Obligation Bond Authorization. On June 3, 2008, the voters in the District passed by 71% Proposition H, a \$195 million general obligation bond authorization. With the passing of Proposition H, the District will continue modernization plans for as many as 19 campuses district-wide. Bond funds will be supplemented with state matching funds and other funding sources to help complete the work. As of June 30, 2011, the District has issued \$79,995,045 and the amount outstanding as of June 30, 2011 was \$86,356,959, including \$6,361,915 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

C. Debt Service Requirements to Maturity – Bonds

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2011, are as follows:

Fiscal Year Ended				
June 30,	Principal*	Interest	Total	
2012	\$ 820,000	\$ 7,018,909	\$ 7,838,909	
2013	555,000	7,496,918	8,051,918	
2014	1,825,000	7,471,937	9,296,937	
2015	2,652,133	7,447,286	10,099,419	
2016	28,586,726	7,308,133	35,894,859	
2017-2021	29,041,543	34,327,456	63,368,999	
2022-2026	39,713,465	34,266,434	73,979,899	
2027-2031	39,540,536	44,187,298	83,727,834	
2032-2036	47,136,402	28,577,032	75,713,434	
2037-2041	10,898,799	54,641,201	65,540,000	
2042-2046	10,337,313	87,848,372	98,185,685	
2047-2050	7,303,127	90,467,184	97,770,311	
Total	\$ 218,410,044	\$ 411,058,160	\$ 629,468,204	

*Does not include accreted interest of \$6,361,915

D. Certificates of Participation (COPs)

On September 9, 1997 the District issued certificates of participation (COPs) in the amount of \$4,500,000 for the construction of certain improvements through the Oceanside Unified School Facilities Corporation and having stated interest rates ranging from 4.1% to 5.0%. During the year ended June 30, 2011, the District made a payment of \$625,000, leaving no outstanding balance due as of June 30, 2011.

E. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$903,135.

F. Other Postemployment Benefits

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2011, was \$447,516 and contributions made by the District during the year were \$432,113, which resulted in a net OPEB obligation of \$438,196. See Note 12 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 10 – FUND BALANCES

The fund balances as of June 30, 2011 are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 80,000	\$ -	\$ 10,000	\$ 90,000
Stores inventory	32,348	-	223,632	255,980
Prepaid expenditures(expenses)	128,000	-	-	128,000
Restricted				
Educational programs	3,819,951	-	3,203,661	7,023,612
Capital projects	-	44,454,975	6,596,445	51,051,420
Debt service	-	-	5,270,706	5,270,706
Committed				
Band uniforms	87,500	-	-	87,500
Post retirement benefit reserve	991,496	-	-	991,496
Assigned				
Adult education	197,004	-	-	197,004
Deferred maintenance	2,596,536	-	-	2,596,536
Health and welfare excess premium	493,766	-	-	493,766
Professional development restoration	464,697	-	-	464,697
Other assignments	200,045	-	-	200,045
Unassigned				
Reserve for economic uncertainties	16,443,503	-	-	16,443,503
Total Fund Balance	\$ 25,534,846	\$ 44,454,975	\$ 15,304,444	\$ 85,294,265

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 three percent 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 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
County School Facilities Fund	\$ 1,507,054	\$ 14,274,936	\$ (12,767,882)

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
 (OPEB)

A. Plan Description

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the Oceanside Unified School 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 Cap	\$1,800 per year	\$1,800 per year	\$1,800 per year

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

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, the District contributed \$432,113 to the Plan, all of which was used for current premiums.

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 parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Membership in the plan consists of the following:

Retirees and beneficiaries receiving benefits	112
Active plan members	1448
<u>Total</u>	<u>1560</u>
Number of participating employers	1

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
 (OPEB) (continued)

The following 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		18,532
Adjustment to annual required contribution		(17,521)
Annual OPEB cost (expense)		499,668
Contributions made		(432,113)
Increase in net OPEB obligation		67,555
Net OPEB obligation, beginning of the year		370,641
Net OPEB obligation, end of the year	\$	438,196

D. Funded Status and Funding Progress

As of May 1, 2011, the most recent actuarial valuation date, the plan was not funded. This results in a total unfunded actuarial accrued liability (UAAL) of \$8,100,356 comprised of the initial UAAL of \$7,001,003 and a “residual” UAAL of \$1,099,353. The covered payroll (annual payroll of active employees covered by the plan) was \$105,661,992, and the ratio of UAAL to the covered payroll was percent. The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008-09	\$ 447,516	92%	\$ 354,589
2009-10	\$ 447,677	96%	\$ 370,641
2010-11	\$ 499,668	86%	\$ 438,196

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, 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 the financial statements, presents multi-year 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 and 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory 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).

A. 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 2011 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
2010-11	\$ 6,465,770	100%
2009-10	\$ 7,188,791	100%
2008-09	\$ 7,342,660	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 \$3,324,152 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

B. 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2011

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS (*continued*)

B. CalPERS (*continued*)

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 (7% of monthly salary over \$133.33 if the member participates in Social Security), 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 2011 was 10.707% 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 2,662,042	100%
2009-10	\$ 2,719,750	100%
2008-09	\$ 2,732,177	100%

C. Social Security

As established by federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

NOTE 14 – 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, 2011.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2011

NOTE 14 – COMMITMENTS AND CONTINGENCIES (*continued*)

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, 2011.

C. Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

<u>Construction Project</u>	<u>Remaining Construction Commitment</u>
Elementary Schools	
Del Rio Elementary School - Modernization	\$ 624
Libby Elementary School - Modernization	8,958,489
Mission Elementary School - Modernization	41,950
North Terrace Elementary School - Modernization	935,139
Palmquist Elementary School - Modernization	243,111
Santa Margarita Elementary School - Modernization	449,512
Middle Schools	
Lincoln Middle School - Modernization	3,559
High Schools	
El Camino High School - Athletic Fields	14,285
El Camino High School - Stadium Plaza	162,398
Oceanside High School - Athletic Fields	38,359
Oceanside High School - Career Technology Building	683,238
Oceanside High School - Music Building	4,385,227
Oceanside High School - Performing Arts Center	175,526
Other Projects	242,400
Total	\$ 16,333,817

NOTE 15 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 15 – PARTICIPATION IN JOINT POWERS AUTHORITIES (continued)

The JPA arranges for and provides workers’ compensation, health, and property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Combined audited financial information (most currently available) for the year ended June 30, 2010 is as follows:

	RM
	(Audited)
	June 30, 2010
Total Assets	\$ 97,600,043
Total Liabilities	51,346,215
Total Fund Balance	\$ 46,253,828
Total Revenues	\$ 39,507,966
Total Expenses	41,856,116
Other Sources (Uses)	(1,100,849)
Net Change in Fund Balance	\$ (3,448,999)

NOTE 16 – PRIOR PERIOD RESTATEMENTS

Due to the implementation of GASB Statement No. 54 and the absence of any commitment of Deferred Maintenance funds, the beginning fund balances of \$197,004 within the Adult Education Fund and \$2,882,878 within the Deferred Maintenance is shown as a net decrease of \$3,079,882 to nonmajor governmental funds and an increase to the General Fund. This adjustment has no net effect on beginning fund balances for total governmental funds nor does it affect beginning net assets.

NOTE 17 – SUBSEQUENT EVENTS

Tax Revenue Anticipation Notes (TRANS)

The District issued \$13,170,000 of TRANS dated July 1, 2011 through a multiple agency agreement with the County of San Diego and San Diego County School Districts. The notes mature on June 30 2012, and yield a 2% interest rate. The notes were sold by the District to supplement cash flow. Repayment requirements are that 50 percent of principal and interest is to be repaid on January 31, 2012 and April, 29, 2012.

**REQUIRED SUPPLEMENTARY
INFORMATION**

OCEANSIDE UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 96,053,201	\$ 100,714,691	\$ 100,959,909	\$ 245,218
Federal sources	19,315,852	26,457,447	21,526,272	(4,931,175)
Other State sources	20,999,756	21,769,324	26,498,626	4,729,302
Other local sources	13,454,900	14,922,294	15,369,632	447,338
Total Revenues	149,823,709	163,863,756	164,354,439	490,683
EXPENDITURES				
Certificated salaries	78,962,464	79,683,069	78,403,136	1,279,933
Classified salaries	23,306,751	23,665,238	23,865,649	(200,411)
Employee benefits	30,159,584	30,573,708	32,985,109	(2,411,401)
Books and supplies	5,670,080	9,036,205	5,495,525	3,540,680
Services and other operating expenditures	13,876,560	16,266,182	15,144,397	1,121,785
Capital outlay	137,649	455,666	560,807	(105,141)
Other outgo				
Excluding transfers of indirect costs	601,500	602,534	736,242	(133,708)
Transfers of indirect costs	(367,366)	(306,805)	(301,079)	(5,726)
Total Expenditures	152,347,222	159,975,797	156,889,786	3,086,011
Excess (Deficiency) of Revenues				
Over Expenditures	(2,523,513)	3,887,959	7,464,653	3,576,694
Other Financing Sources (Uses):				
Transfers out	-	(10,027)	(13,572)	(3,545)
Net Financing Sources (Uses)	-	(10,027)	(13,572)	(3,545)
NET CHANGE IN FUND BALANCE	(2,523,513)	3,877,932	7,451,081	3,573,149
Fund Balance - Beginning, as originally state	15,003,883	15,003,883	15,003,883	-
Adjustments for restatement	3,079,882	3,079,882	3,079,882	-
Fund Balance - Beginning, as restated	18,083,765	18,083,765	18,083,765	-
Fund Balance - Ending	\$ 15,560,252	\$ 21,961,697	\$ 25,534,846	\$ 3,573,149

OCEANSIDE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
 EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
4/1/2009	\$ -	\$ 6,935,923	\$ 6,935,923	0%	\$ 110,971,959	6%
5/1/2011	\$ -	\$ 8,100,356	\$ 8,100,356	0%	\$ 105,661,992	8%

**SUPPLEMENTARY
INFORMATION**

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 5,026,971
ARRA - Title I, Part A	84.389	15005	1,062,910
Subtotal Title I, Part A Cluster			6,089,881
Adult Education: English Literacy and Civics Education	84.002A	14109	101,021
Title I, Migrant Education	84.011	14326	266,717
Title II, Part A Cluster			
Title II, Part A, Administrator Training	84.367	14344	1,050
Title II, Part A, Teacher Quality	84.367A	14341	1,123,796
Subtotal Title II, Part A Cluster			1,124,846
Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	32,457
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	42,859
ARRA - Education Technology State Grants	84.386	15019	20,940
Subtotal Education Technology State Grants Cluster			63,799
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	710,154
Title IV, Part A, Drug-Free Schools	84.186	14347	18,114
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14535	250,717
Title VIII, Impact Aid	84.041	10015	4,613,920
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,246,079
Part B, Preschool Grants	84.173	13430	307,292
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	1,110,619
ARRA - Preschool Local Entitlement, Part B	84.391	15002	30,310
ARRA - Part B, Preschool Grants	84.392	15000	42,113
Preschool Staff Development	84.173A	13431	2,181
Subtotal Special Education Cluster			4,738,594
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	149,151
Title X, McKinney-Vento Cluster			
Title X, McKinney-Vento Homeless Assistance	84.196	14332	23,456
ARRA - Title X, McKinney-Vento Grant	84.387	24997	14,450
Subtotal Title X, McKinney-Vento Cluster			37,906
ARRA - State Fiscal Stabilization Fund	84.394	24997	908,017
Improvement of Education Cluster			
Elementary and Secondary School Counseling	84.215E	*	277,799
Readiness and Emergency Management	84.215E	*	95,619
C.M. White Physical Education Program	84.215F	*	198,121
Subtotal Improvement of Education Cluster			571,539
Total U. S. Department of Education			19,676,833
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	985,324
National School Lunch Program	10.555	13391	3,858,705
Special Milk Program for Children	10.556	13392	160,365
USDA Commodities	10.558	13389	32,752
Subtotal Child Nutrition Cluster			5,037,146
Total U. S. Department of Agriculture			5,037,146
U. S. DEPARTMENT OF DEFENSE:			
Targeted interventions for Pendelton Students (TIPS)	12.557	*	229,926
Impact Aid Supplemental Program	12.558	*	918,338
Total U. S. Department of Defense			1,148,264
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
CCDF Cluster			
Quality Improvement Activities	93.575	14130	2,386
ARRA - Quality Improvement Activities	93.713	15010	16,937
Subtotal CCDF Cluster			19,323
<i>Passed through California Department of Health Services:</i>			
Medical Assistance Program Cluster			
Medi-Cal Billing Option	93.778	10013	233,597
Medi-Cal Administrative Activities (MAA)	93.778	10060	357,919
Subtotal Medical Assistance Program Cluster			591,516
Total U. S. Department of Health & Human Services			610,839
Total Federal Expenditures			\$ 26,473,082

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,626	1,626
First through third	4,665	4,652
Fourth through sixth	4,107	4,101
Seventh through eighth	2,589	2,576
Home and hospital	5	5
Special day class	466	473
Total Elementary	13,458	13,433
SECONDARY		
Regular classes	4,780	4,806
Continuation education	177	175
Home and hospital	6	7
Special day class	387	287
Total Secondary	5,350	5,275
Average Daily Attendance Total	18,808	18,708

See accompanying note to supplementary information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

Grade Level	1982 - 83	1982 - 83	1986 - 87	1986 - 87	2010-11	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced	Actual Minutes		
Kindergarten	36,000	35,000	36,000	35,000	35,000	175	Complied
Grade 1	45,000	43,750	50,400	49,000	53,295	175	Complied
Grade 2	45,000	43,750	50,400	49,000	53,295	175	Complied
Grade 3	45,000	43,750	50,400	49,000	53,295	175	Complied
Grade 4	50,000	48,611	54,000	52,500	53,295	175	Complied
Grade 5	50,000	48,611	54,000	52,500	53,295	175	Complied
Grade 6	50,000	48,611	54,000	52,500	60,951	175	Complied
Grade 7	55,000	53,472	54,000	52,500	60,951	175	Complied
Grade 8	55,000	53,472	54,000	52,500	60,951	175	Complied
Grade 9	61,300	59,597	64,800	63,000	64,085	175	Complied
Grade 10	61,300	59,597	64,800	63,000	64,085	175	Complied
Grade 11	61,300	59,597	64,800	63,000	64,085	175	Complied
Grade 12	61,300	59,597	64,800	63,000	64,085	175	Complied

See accompanying note to supplementary information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012 (Budget)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues and other financing sources	\$ 156,544,555	\$ 164,354,439	\$ 159,491,942	\$ 177,033,919
Expenditures	157,851,814	156,889,786	166,890,106	171,763,345
Other uses and transfers out	-	13,572	2,298,551	927,706
Total	157,851,814	156,903,358	169,188,657	172,691,051
INCREASE/(DECREASE) IN FUND BALANCE	\$ (1,307,259)	\$ 7,451,081	\$ (9,696,715)	\$ 4,342,868
ENDING FUND BALANCE**	\$ 24,227,587	\$ 25,534,846	\$ 15,003,883	\$ 24,700,598
AVAILABLE RESERVES*	\$ 18,409,478	\$ 16,443,503	\$ 6,582,304	\$ 5,634,286
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO	11.7%	10.5%	3.9%	3.3%
LONG-TERM DEBT	\$ 229,059,525	\$ 229,879,525	\$ 203,260,026	\$ 170,879,931
AVERAGE DAILY ATTENDANCE AT P-2	18,807	18,808	19,132	19,524

The General Fund balance has increased by \$834,248 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$1,307,259 (-5%). For a district this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the current year and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long term obligations have increased by \$58,999,594 over the past two years.

Average daily attendance has decreased by 716 ADA over the past two years and anticipates a decrease of one ADA during the 2011-12 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and the Reserve for Economic Uncertainty.

**The beginning fund balance as of July 1, 2010 was restated by \$3,079,882 as further described in Note 17 to the financial statements.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Deferred Maintenance Fund	Building Fund
FUND BALANCE			
June 30, 2011, annual financial and budget report (SACS) fund balances	\$ 22,938,310	\$ 2,596,536	\$ 43,926,850
Adjustments and reclassifications			
Increasing (decreasing) the fund balance*	-	-	528,125
Reclassification for financial statement presentation**	2,596,536	(2,596,536)	-
Net adjustments and reclassifications	2,596,536	(2,596,536)	528,125
June 30, 2011, audited financial statement fund balances	\$ 25,534,846	\$ -	\$ 44,454,975

*The increase in ending fund balance for the Building Fund is due to a reclassification of the initial interest payment to a receivable due to the District for repayment of a tax credit from the federal government due November 1, 2011 relating to the 2011 QSCB. See part B of Note 9 of the financial statements for information on the 2011 QSCB.

**This audit reclassification is made for financial statement presentation purposes only, pursuant to GASB Statement 54, when applied, does not recognize those funds as special revenue fund types. Therefore, the fund balances are consolidated with the General Fund. However, the District is permitted under current state law to account for those funds as a special revenue fund type for interim reporting and budgeting purposes.

OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011

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
 JUNE 30, 2011

	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	\$ 133,162	\$ 2,489,441	\$ 4,742,234	\$ 1,868,301	\$ 5,270,706	\$ 14,503,844
Accounts receivable	128,570	924,045	6,143	2,561	-	1,061,319
Due from other funds	3,327	26,077	-	-	-	29,404
Stores inventory	-	223,632	-	-	-	223,632
Total Assets	\$ 265,059	\$ 3,663,195	\$ 4,748,377	\$ 1,870,862	\$ 5,270,706	\$ 15,818,199
LIABILITIES						
Accrued liabilities	\$ 15,824	\$ 191,856	\$ 13,687	\$ -	\$ -	\$ 221,367
Due to other funds	232,817	50,464	9,107	-	-	292,388
Total Liabilities	248,641	242,320	22,794	-	-	513,755
FUND BALANCES						
Non-spendable	-	233,632	-	-	-	233,632
Restricted	16,418	3,187,243	4,725,583	1,870,862	5,270,706	15,070,812
Total Fund Balances	16,418	3,420,875	4,725,583	1,870,862	5,270,706	15,304,444
Total Liabilities and Fund Balance	\$ 265,059	\$ 3,663,195	\$ 4,748,377	\$ 1,870,862	\$ 5,270,706	\$ 15,818,199

See accompanying note to supplementary information.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	\$ -	\$ 19,323	\$ 5,037,166	\$ -	\$ -	\$ -	\$ -	\$ 5,056,489
Other state sources	-	1,203,420	433,783	-	-	16,135,638	73,878	17,846,719
Other local sources	-	967	1,606,810	-	584,263	10,160	6,813,052	9,015,252
Total Revenues	-	1,223,710	7,077,759	-	584,263	16,145,798	6,886,930	31,918,460
EXPENDITURES								
Current								
Instruction	-	1,032,122	-	-	-	-	-	1,032,122
Instruction-related services								
Instructional supervision and administration	-	98,051	-	-	-	-	-	98,051
School site administration	-	2,777	-	-	-	-	-	2,777
Pupil services								
Food services	-	-	6,578,098	-	-	-	-	6,578,098
All other pupil services	-	357	-	-	-	-	-	357
General administration								
All other general administration	-	45,664	255,416	-	9,169	-	-	310,249
Plant services	-	68,845	-	-	201,227	-	-	270,072
Facilities acquisition and maintenance	-	15,037	-	-	-	9,161,557	-	9,176,594
Debt service								
Principal	-	-	-	-	-	-	1,575,000	1,575,000
Interest and other	-	-	-	-	-	-	6,331,895	6,331,895
Total Expenditures	-	1,262,853	6,833,514	-	210,396	9,161,557	7,906,895	25,375,215
Excess (Deficiency) of Revenues								
Over Expenditures	-	(39,143)	244,245	-	373,867	6,984,241	(1,019,965)	6,543,245
Other Financing Sources (Uses)								
Transfers in	-	13,572	-	-	-	-	-	13,572
Transfers out	-	-	-	-	-	(5,113,379)	-	(5,113,379)
Net Financing Sources (Uses)	-	13,572	-	-	-	(5,113,379)	-	(5,099,807)
NET CHANGE IN FUND BALANCE								
Fund Balance - Beginning, as originally stated	197,004	41,989	3,176,630	2,882,878	4,351,716	-	6,290,671	16,940,888
Adjustments for restatement	(197,004)	-	-	(2,882,878)	-	-	-	(3,079,882)
Fund Balance - Beginning, as restated	-	41,989	3,176,630	-	4,351,716	-	6,290,671	13,861,006
Fund Balance - Ending	\$ -	\$ 16,418	\$ 3,420,875	\$ -	\$ 4,725,583	\$ 1,870,862	\$ 5,270,706	\$ 15,304,444

See accompanying note to supplementary information.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

NOTE 1 – PURPOSE OF SCHEDULES

A. 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.

B. 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.

C. 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.

D. 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.

E. Schedule 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.

F. 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.

G. Combining Statements – Non-Major Governmental Funds

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

H. 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**

Board of Trustees
Oceanside Unified School District
Oceanside, California

We have audited the financial statements of Oceanside Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

Oceanside Unified School District's responses to the findings identified in our audit are 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, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chint White Accountancy Corporation

San Diego, California

December 5, 2011



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

Board of Trustees
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, 2011. 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, 2011.

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 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, the California Department of Education, the California State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christie White Accountancy Corporation

San Diego, California
December 5, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Oceanside Unified School District
 Oceanside, California

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 Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, 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:

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Accounting:		
Attendance Reporting	8	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
Instructional Materials, general requirements	8	Yes

SAN DIEGO

RANCHO CUCAMONGA

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (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	4	Yes
Before school	5	Yes
Contemporaneous Records of Attendance; for charter schools	1	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	3	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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *Standards and Procedures for the Audits of California Local Education Agencies* and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2011-2. We did not audit Oceanside Unified School District's response to such finding and, accordingly, express no opinion on it.

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

Christie White Accountancy Corporation

San Diego, California
December 5, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

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>Yes</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>No</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?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.010, 84.389 (ARRA)</u>	<u>Title I, Part A Cluster (including ARRA)</u>
<u>84.367, 84.367A</u>	<u>Title II, Part A Cluster</u>
<u>84.365</u>	<u>Title III, Limited English Proficient (LEP) Student Program</u>
<u>84.394 (ARRA)</u>	<u>State Fiscal Stabilization Fund</u>
<u>84.027, 84.173, 84.391 (ARRA),</u>	
<u>84.392 (ARRA), 84.027A, 84.173A</u>	<u>Special Education Cluster (including ARRA)</u>
<u>12.558</u>	<u>Impact Aid Supplemental Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 794,192</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, 2011

FIVE DIGIT CODE

20000
30000
60000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control
Miscellaneous

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 in 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
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings and questioned costs related to federal awards during 2010-11.

OCEANSIDE UNIFIED SCHOOL DISTRICT
 STATE AWARD FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

There were no findings and questioned costs for the fiscal year ending June 30, 2010.