

# OCEANSIDE UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2016

San Diego

Los Angeles

San Francisco  
Bay Area

christy  white  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
 TABLE OF CONTENTS  
 FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL SECTION**

Independent Auditors' Report ..... 1  
 Management's Discussion and Analysis..... 4  
 Basic Financial Statements  
   Government-wide Financial Statements  
     Statement of Net Position ..... 11  
     Statement of Activities ..... 12  
   Fund Financial Statements  
     Governmental Funds – Balance Sheet..... 13  
     Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ..... 14  
     Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances..... 15  
     Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund  
       Balances to the Statement of Activities ..... 16  
     Proprietary Funds – Statement of Net Position ..... 18  
     Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Position..... 19  
     Proprietary Funds – Statement of Cash Flows..... 20  
     Fiduciary Funds – Statement of Net Position..... 21  
     Fiduciary Funds – Statement of Changes in Net Position..... 22  
 Notes to Financial Statements ..... 23

**REQUIRED SUPPLEMENTARY INFORMATION**

General Fund – Budgetary Comparison Schedule ..... 57  
 Schedule of Funding Progress ..... 58  
 Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS ..... 59  
 Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS..... 60  
 Schedule of District Contributions - CalSTRS ..... 61  
 Schedule of District Contributions - CalPERS..... 62  
 Notes to Required Supplementary Information..... 63

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards ..... 65  
 Schedule of Average Daily Attendance..... 66  
 Schedule of Instructional Time ..... 67  
 Schedule of Financial Trends and Analysis..... 68  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements..... 69  
 Schedule of Charter Schools ..... 70  
 Combining Statements – Non-Major Governmental Funds  
   Combining Balance Sheet ..... 71  
   Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... 72  
 Local Education Agency Organization Structure ..... 73  
 Notes to Supplementary Information..... 74

OCEANSIDE UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2016

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

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* ..... 76  
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 78  
Report on State Compliance..... 80

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results ..... 83  
Financial Statement Findings..... 84  
Federal Award Findings and Questioned Costs ..... 85  
State Award Findings and Questioned Costs..... 86  
Summary Schedule of Prior Audit Findings ..... 88

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Oceanside Unified School District  
Oceanside, California

### **Report on the Financial Statements**

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, 2016, and the related notes to the financial statements, which collectively comprise the Oceanside Unified School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Christy White, CPA

Michael Ash, CPA

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State Board of Accountancy*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oceanside Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of Oceanside Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oceanside Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 14, 2016

# OCEANSIDE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Our discussion and analysis of Oceanside Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- ▶ General Fund (including Deferred Maintenance Fund due to GASB No. 54) revenues and transfers in exceeded expenditures and transfers out by roughly \$5.2 million in 2015-16. The fund balance of the General Fund was \$21.0 million with available reserves of 5.4%.
- ▶ The District continued to maintain minimum state-required reserves, with slightly over \$11.2 million designated for economic uncertainties at year-end, which is \$302 thousand more than the prior year.
- ▶ Student enrollment decreased by approximately 270 pupils in 2015-16 compared to the prior year.
- ▶ District long-term liabilities increased approximately \$40.6 million due to fluctuations related to the net pension liability and the issuance of 2015 Refunding and Election 2008, Series D general obligation bonds.
- ▶ Overall, net position increased by approximately \$3.4 million for the District as a whole.



OCEANSIDE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section

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

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

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

### Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

OCEANSIDE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

**Net Position**

The District's net position was approximately (\$60.4) million at June 30, 2016, as reflected in the table below. Of this amount, about (\$182.7) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 74,232,356	\$ 58,184,308	\$ 16,048,048
Capital assets	326,786,751	326,220,628	566,123
<b>Total Assets</b>	<b>401,019,107</b>	<b>384,404,936</b>	<b>16,614,171</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>26,478,965</b>	<b>12,938,396</b>	<b>13,540,569</b>
<b>LIABILITIES</b>			
Current liabilities	19,159,729	15,162,402	3,997,327
Long-term liabilities	447,612,325	407,032,930	40,579,395
<b>Total Liabilities</b>	<b>466,772,054</b>	<b>422,195,332</b>	<b>44,576,722</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>21,164,782</b>	<b>38,940,371</b>	<b>(17,775,589)</b>
<b>NET POSITION</b>			
Net investment in capital assets	103,593,120	109,551,745	(5,958,625)
Restricted	18,646,177	12,866,937	5,779,240
Unrestricted	(182,678,061)	(186,211,053)	3,532,992
<b>Total Net Position</b>	<b>\$ (60,438,764)</b>	<b>\$ (63,792,371)</b>	<b>\$ 3,353,607</b>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (*continued*)

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly so you can see total revenues and expenses for the year.

As shown in the table below, the District's total revenues were slightly less than \$237.2 million. The total cost of all programs and services was \$233.9 million. The District's expenses are predominately related to educating and caring for students (67%). Pupil Services (including transportation and food) account for 13% of expenses. Administrative activities accounted for just 6% 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.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 4,845,261	\$ 4,721,264	\$ 123,997
Operating grants and contributions	40,390,092	33,655,651	6,734,441
General revenues			
Property taxes	65,779,350	55,434,753	10,344,597
Unrestricted federal and state aid	124,224,852	111,310,448	12,914,404
Other	1,983,768	3,144,533	(1,160,765)
<b>Total Revenues</b>	<b>237,223,323</b>	<b>208,266,649</b>	<b>28,956,674</b>
<b>EXPENSES</b>			
Instruction	133,077,054	123,909,943	9,167,111
Instruction-related services	23,579,620	22,214,828	1,364,792
Pupil services	31,044,139	30,090,404	953,735
General administration	13,530,074	12,475,222	1,054,852
Plant services	22,057,275	20,922,000	1,135,275
Ancillary and community services	372,177	378,266	(6,089)
Debt service	9,007,609	11,745,675	(2,738,066)
Other Outgo	1,352,997	2,229,406	(876,409)
Other	(151,229)	275,130	(426,359)
<b>Total Expenses</b>	<b>233,869,716</b>	<b>224,240,874</b>	<b>9,628,842</b>
<b>Change in net position</b>	<b>3,353,607</b>	<b>(15,974,225)</b>	<b>19,327,832</b>
<b>Net Position - Beginning*</b>	<b>(63,792,371)</b>	<b>(47,818,146)</b>	<b>(15,974,225)</b>
<b>Net Position - Ending</b>	<b>\$ (60,438,764)</b>	<b>\$ (63,792,371)</b>	<b>\$ 3,353,607</b>

\* Beginning Net Position was restated for the 2015 year only

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

As reported in the Statement of Activities, the net cost of all our governmental activities this year was slightly over \$188.6 million. The amount that our taxpayers ultimately financed for these activities through taxes was only \$65.8 million because the cost was paid by those who benefited from the programs (\$4.8 million), by other governments and organizations who subsidized certain programs with grants and contributions (\$40.4 million) or through other federal, state and local sources (\$124.2 million).

	<b>Net Cost of Services</b>	
	<b>2016</b>	<b>2015</b>
Instruction	\$ 108,937,784	\$ 100,788,840
Instruction-related services	19,418,076	20,245,615
Pupil services	20,967,458	20,481,368
General administration	12,767,227	10,532,428
Plant services	21,920,364	20,410,778
Ancillary and community services	358,789	283,904
Debt service	9,007,609	11,745,675
Transfers to other agencies	(4,591,715)	1,100,221
Other	(151,229)	275,130
<b>Total Expenses</b>	<b>\$ 188,634,363</b>	<b>\$ 185,863,959</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of nearly \$60.7 million, which is an increase from last year's ending fund balance of \$46.6 million. The District's General Fund had \$5.2 million more in operating revenues than expenditures for the year ended June 30, 2016. The District's Building Fund had a net increase in fund balance of approximately \$2.4 million for the year ended June 30, 2016. The District's Debt Service Fund had a net increase in fund balance of roughly \$6.0 million for the year ended June 30, 2016.

**CURRENT YEAR BUDGET 2015-16**

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

OCEANSIDE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2015-16 the District had invested nearly \$326.8 million in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 16,825,171	\$ 16,825,171	\$ -
Construction in progress	11,386,335	4,431,598	6,954,737
Land improvements	7,842,141	7,842,141	-
Buildings & improvements	382,329,157	380,215,802	2,113,355
Furniture & equipment	19,113,741	18,041,860	1,071,881
Accumulated depreciation	(110,709,794)	(101,135,944)	(9,573,850)
<b>Total Capital Assets</b>	<b>\$ 326,786,751</b>	<b>\$ 326,220,628</b>	<b>\$ 566,123</b>

**Long-Term Debt**

At year-end, the District had nearly \$447.6 million in long-term debt, an increase of 10% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 281,483,290	\$ 260,692,592	\$ 20,790,698
Capital leases	592,526	827,430	(234,904)
Compensated absences	1,508,514	921,924	586,590
Net OPEB obligation	952,416	931,166	21,250
Net pension liability	166,620,147	145,489,380	21,130,767
Less: current portion of long-term debt	(3,544,568)	(1,829,562)	(1,715,006)
<b>Total Long-term Liabilities</b>	<b>\$ 447,612,325</b>	<b>\$ 407,032,930</b>	<b>\$ 40,579,395</b>

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**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.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADS); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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 2016-17 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

OCEANSIDE UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 62,296,677
Accounts receivable	11,495,771
Inventory	439,908
Capital assets, not depreciated	28,211,506
Capital assets, net of accumulated depreciation	298,575,245
<b>Total Assets</b>	<b>401,019,107</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	17,129,547
Deferred amount on refunding	9,349,418
<b>Total Deferred Outflows of Resources</b>	<b>26,478,965</b>
<b>LIABILITIES</b>	
Accrued liabilities	14,882,204
Unearned revenue	732,957
Long-term liabilities, current portion	3,544,568
Long-term liabilities, non-current portion	447,612,325
<b>Total Liabilities</b>	<b>466,772,054</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	21,164,782
<b>Total Deferred Inflows of Resources</b>	<b>21,164,782</b>
<b>NET POSITION</b>	
Net investment in capital assets	103,593,120
Restricted:	
Capital projects	3,980,508
Debt service	9,902,928
Educational programs	2,909,549
All others	1,853,192
Unrestricted	(182,678,061)
<b>Total Net Position</b>	<b>\$ (60,438,764)</b>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 133,077,054	\$ 821,323	\$ 23,317,947	\$ (108,937,784)
Instruction-related services				
Instructional supervision and administration	6,336,279	44,910	3,273,339	(3,018,030)
Instructional library, media, and technology	2,967,944	5	29,957	(2,937,982)
School site administration	14,275,397	2,111	811,222	(13,462,064)
Pupil services				
Home-to-school transportation	8,206,678	75	2,904	(8,203,699)
Food services	10,606,218	1,326,564	6,713,349	(2,566,305)
All other pupil services	12,231,243	1,623	2,032,166	(10,197,454)
General administration				
Centralized data processing	4,932,000	5,079	5,447	(4,921,474)
All other general administration	8,598,074	72,364	679,957	(7,845,753)
Plant services	22,057,275	29,895	107,016	(21,920,364)
Ancillary services	202,549	-	130	(202,419)
Community services	169,628	3,830	9,428	(156,370)
Enterprise activities	(151,229)	-	-	151,229
Interest on long-term debt	9,007,609	-	-	(9,007,609)
Other Outgo	1,352,997	2,537,482	3,407,230	4,591,715
<b>Total Governmental Activities</b>	<b>\$ 233,869,716</b>	<b>\$ 4,845,261</b>	<b>\$ 40,390,092</b>	<b>(188,634,363)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				
				53,306,909
Property taxes, levied for debt service				
				11,969,056
Property taxes, levied for other specific purposes				
				503,385
Federal and state aid not restricted for specific purposes				
				124,224,852
Interest and investment earnings				
				158,552
Interagency revenues				
				45,246
Miscellaneous				
				1,779,970
<b>Subtotal, General Revenue</b>				
				<b>191,987,970</b>
<b>CHANGE IN NET POSITION</b>				
				<b>3,353,607</b>
<b>Net Position - Beginning</b>				
				<b>(63,792,371)</b>
<b>Net Position - Ending</b>				
				<b>\$ (60,438,764)</b>



OCEANSIDE UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 23,137,443	\$ 20,759,477	\$ 13,065,749	\$ 4,706,973	\$ 61,669,642
Accounts receivable	9,110,722	20,592	-	1,802,544	10,933,858
Due from other funds	330,036	-	-	319,733	649,769
Stores inventory	94,118	-	-	345,790	439,908
<b>Total Assets</b>	<b>\$ 32,672,319</b>	<b>\$ 20,780,069</b>	<b>\$ 13,065,749</b>	<b>\$ 7,175,040</b>	<b>\$ 73,693,177</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 10,770,392	\$ 319,655	\$ -	\$ 472,039	\$ 11,562,086
Due to other funds	319,733	775	-	329,261	649,769
Unearned revenue	613,965	-	-	118,992	732,957
<b>Total Liabilities</b>	<b>11,704,090</b>	<b>320,430</b>	<b>-</b>	<b>920,292</b>	<b>12,944,812</b>
<b>FUND BALANCES</b>					
Nonspendable	384,118	-	-	355,790	739,908
Restricted	2,844,291	20,459,639	13,065,749	5,898,958	42,268,637
Committed	250,000	-	-	-	250,000
Assigned	6,250,392	-	-	-	6,250,392
Unassigned	11,239,428	-	-	-	11,239,428
<b>Total Fund Balances</b>	<b>20,968,229</b>	<b>20,459,639</b>	<b>13,065,749</b>	<b>6,254,748</b>	<b>60,748,365</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,672,319</b>	<b>\$ 20,780,069</b>	<b>\$ 13,065,749</b>	<b>\$ 7,175,040</b>	<b>\$ 73,693,177</b>

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2016**

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**Total Fund Balance - Governmental Funds** \$ 60,748,365

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

**Capital assets:**

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

Capital assets	\$ 437,496,545	
Accumulated depreciation	<u>(110,709,794)</u>	326,786,751

**Deferred amount on refunding:**

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

9,279,418

**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 unmaturing interest owing at the end of the period was:

(3,162,821)

**Long-term liabilities:**

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

Total general obligation bonds	\$ 281,483,290	
Capital leases	592,526	
Compensated absences	1,508,514	
Net OPEB obligation	952,416	
Net pension liability	<u>166,620,147</u>	(451,156,893)

**Deferred outflows and inflows of resources relating to pensions:**

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 17,129,547	
Deferred inflows of resources related to pensions	<u>(21,164,782)</u>	(4,035,235)

**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, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

1,101,651

**Total Net Position - Governmental Activities** \$ (60,438,764)

OCEANSIDE UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 156,448,798	\$ -	\$ -	\$ -	\$ 156,448,798
Federal sources	19,544,198	-	-	7,000,191	26,544,389
Other state sources	23,017,592	-	95,968	1,510,590	24,624,150
Other local sources	14,736,287	94,035	11,904,907	2,870,757	29,605,986
<b>Total Revenues</b>	<b>213,746,875</b>	<b>94,035</b>	<b>12,000,875</b>	<b>11,381,538</b>	<b>237,223,323</b>
<b>EXPENDITURES</b>					
Current					
Instruction	132,199,683	-	-	851,644	133,051,327
Instruction-related services					
Instructional supervision and administration	6,174,057	-	-	67,314	6,241,371
Instructional library, media, and technology	2,514,675	-	-	-	2,514,675
School site administration	14,301,967	-	-	-	14,301,967
Pupil services					
Home-to-school transportation	6,282,968	-	-	-	6,282,968
Food services	55,640	-	-	8,747,920	8,803,560
All other pupil services	12,308,199	-	-	1,304	12,309,503
General administration					
Centralized data processing	2,238,368	-	-	-	2,238,368
All other general administration	7,769,834	-	-	465,586	8,235,420
Plant services	20,539,753	539,405	-	368,608	21,447,766
Facilities acquisition and maintenance	1,571,857	7,113,481	-	382,755	9,068,093
Ancillary services	203,927	-	-	-	203,927
Community services	170,680	-	-	-	170,680
Transfers to other agencies	2,172,041	-	-	-	2,172,041
Debt service					
Principal	-	25,000,000	1,056,726	-	26,056,726
Interest and other	-	743,255	6,324,072	-	7,067,327
<b>Total Expenditures</b>	<b>208,503,649</b>	<b>33,396,141</b>	<b>7,380,798</b>	<b>10,885,131</b>	<b>260,165,719</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>5,243,226</b>	<b>(33,302,106)</b>	<b>4,620,077</b>	<b>496,407</b>	<b>(22,942,396)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	9	-	-	-	9
Other sources	-	82,519,705	1,372,748	-	83,892,453
Transfers out	-	-	-	(9)	(9)
Other uses	-	(46,776,451)	-	-	(46,776,451)
<b>Net Financing Sources (Uses)</b>	<b>9</b>	<b>35,743,254</b>	<b>1,372,748</b>	<b>(9)</b>	<b>37,116,002</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,243,235</b>	<b>2,441,148</b>	<b>5,992,825</b>	<b>496,398</b>	<b>14,173,606</b>
<b>Fund Balance - Beginning</b>	<b>15,724,994</b>	<b>18,018,491</b>	<b>7,072,924</b>	<b>5,758,350</b>	<b>46,574,759</b>
<b>Fund Balance - Ending</b>	<b>\$ 20,968,229</b>	<b>\$ 20,459,639</b>	<b>\$ 13,065,749</b>	<b>\$ 6,254,748</b>	<b>\$ 60,748,365</b>

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

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Net Change in Fund Balances - Governmental Funds \$ 14,173,606

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:	\$ 10,153,882	
Depreciation expense:	<u>(9,587,759)</u>	566,123

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:

63,409,620

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:

(83,892,453)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

8,934,388

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:

(559,108)

*(Continued on following page)*

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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Accreted interest on long-term debt:	
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.	(2,240,480)
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:	(586,590)
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:	(21,250)
Pensions:	
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	1,251,003
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	2,167,519
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:	151,229
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 3,353,607</b>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 627,035
Accounts receivable	561,913
Total current assets	<u>1,188,948</u>
<b>Total Assets</b>	<u>1,188,948</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	70,000
<b>Total Deferred Outflows</b>	<u>70,000</u>
<b>LIABILITIES</b>	
Current liabilities	
Accrued liabilities	157,297
Total current liabilities	<u>157,297</u>
<b>Total Liabilities</b>	<u>157,297</u>
<b>NET POSITION</b>	
Unrestricted	1,101,651
<b>Total Net Position</b>	<u>\$ 1,101,651</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 5,795,275
Other local revenues	302,724
<b>Total operating revenues</b>	<u>6,097,999</u>
<b>OPERATING EXPENSE</b>	
Professional services	5,949,348
<b>Total operating expenses</b>	<u>5,949,348</u>
<b>Operating income/(loss)</b>	<u>148,651</u>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	2,578
<b>Total non-operating revenues/(expenses)</b>	<u>2,578</u>
<b>CHANGE IN NET POSITION</b>	151,229
<b>Net Position - Beginning</b>	950,422
<b>Net Position - Ending</b>	<u>\$ 1,101,651</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 5,752,247
Cash received (paid) from assessments made to (from) other funds	302,724
Cash payments for payroll, insurance, and operating costs	(5,962,658)
Net cash provided by (used for) operating activities	<u>92,313</u>
<b>Cash flows from investing activities</b>	
Interest received	2,578
Net cash provided by (used for) investing activities	<u>2,578</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,891
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	532,144
End of year	<u>\$ 627,035</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ 148,651
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(43,028)
Increase (decrease) in accounts payable	(6,360)
Increase (decrease) in due to other funds	(6,950)
Net cash provided by (used for) operating activities	<u>\$ 92,313</u>



OCEANSIDE UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

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	<u>Trust Funds</u>	<u>Agency Funds</u>
	<u>Private-Purpose</u>	<u>Student Body</u>
	<u>Trust Fund</u>	<u>Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 153	\$ 722,281
Stores inventory	-	50,564
<b>Total Assets</b>	<u>\$ 153</u>	<u>\$ 772,845</u>
<b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 722,845
Unearned revenue	153	-
<b>Total Liabilities</b>	<u>\$ 153</u>	<u>\$ 722,845</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 JUNE 30, 2016

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	<u>Trust Funds</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
<b>ADDITIONS</b>	
Other	\$ 110,000
<b>Total Additions</b>	<u>110,000</u>
 <b>DEDUCTIONS</b>	
Other trust activities	110,000
<b>Total Deductions</b>	<u>110,000</u>
 <b>CHANGE IN NET POSITION</b>	-
<b>Net Position - Beginning</b>	-
<b>Net Position - Ending</b>	<u>\$ -</u>

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 kindergarten through fifth grade schools, four middle schools, and three high schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Oceanside Unified School District, this includes general operations, food service, and student related activities of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Other Related Entities

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

D. Basis of Presentation

**Government-Wide Statements.** The statement of net position 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

**Major Governmental Funds**

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

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

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

D. Basis of Presentation (*continued*)

Major Governmental Funds (*continued*)

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

Non-Major Governmental Funds

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

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

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

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

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

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

D. Basis of Presentation (*continued*)

Proprietary Funds

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

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

Fiduciary Funds

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

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

**Trust Fund:** Private-purpose trust funds are used to report formal trust arrangements under which principal and interest benefit other individuals, private organizations, or other governments. Oceanside Unified School District received a grant from the College Access Foundation of California to be used to award 20 new need-based scholarships to low-income OUSD students graduating in 2014, and to provide the necessary guidance and assistance to all these students in accessing the public financial aid for which they are eligible.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets 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 net position should be reported as restricted when constraints placed on its 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 position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Revenues – Exchange and Non-Exchange Transactions (continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Investments**

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



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

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

**Interfund Balances**

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

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

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

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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

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

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance** (*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.

*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.

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

G. Interfund Activity

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

H. Estimates

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

I. Budgetary Data

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

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

J. Property Tax

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

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

K. New Accounting Pronouncements

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

A summary of balances for cash and investments at June 30, 2016 are as follows:

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	\$ 61,302,812	\$ 627,035	\$ 61,929,847	\$ 153
Cash on hand and in banks	66,830	-	66,830	722,281
Cash in revolving fund	300,000	-	300,000	-
<b>Total cash and investments</b>	<b>\$ 61,669,642</b>	<b>\$ 627,035</b>	<b>\$ 62,296,677</b>	<b>\$ 722,434</b>

B. Policies and Practices

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

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

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$62,004,161 and an amortized book value of \$61,930,000. The average weighted maturity for this pool is 310 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were rated AAAs/S1 by Standard & Poor’s.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance was not exposed to custodial credit risk.

B. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 62,004,161
<b>Total fair market value of investments</b>	<u>\$ 62,004,161</u>



OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 2,990,366	\$ -	\$ 1,641,779	\$ -	\$ 4,632,145
State Government					
Apportionment	-	-	-	-	-
Categorical aid	828,891	-	133,146	-	962,037
Lottery	2,002,601	-	-	-	2,002,601
Local Government					
Other local sources	3,288,864	20,592	27,619	561,913	3,898,988
<b>Total</b>	<b>\$ 9,110,722</b>	<b>\$ 20,592</b>	<b>\$ 1,802,544</b>	<b>\$ 561,913</b>	<b>\$ 11,495,771</b>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 16,825,171	\$ -	\$ -	\$ 16,825,171
Construction in progress	4,431,598	7,496,234	541,497	11,386,335
Total Capital Assets not Being Depreciated	21,256,769	7,496,234	541,497	28,211,506
Capital assets being depreciated				
Land improvements	7,842,141	-	-	7,842,141
Buildings & improvements	380,215,802	2,113,355	-	382,329,157
Furniture & equipment	18,041,860	1,085,790	13,909	19,113,741
Total Capital Assets Being Depreciated	406,099,803	3,199,145	13,909	409,285,039
Less Accumulated Depreciation				
Land improvements	5,168,855	617,035	-	5,785,890
Buildings & improvements	79,491,690	8,226,253	-	87,717,943
Furniture & equipment	16,475,399	744,471	13,909	17,205,961
Total Accumulated Depreciation	101,135,944	9,587,759	13,909	110,709,794
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 326,220,628</b>	<b>\$ 1,107,620</b>	<b>\$ 541,497</b>	<b>\$ 326,786,751</b>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS (continued)

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

Instruction	\$ 670,510
Instructional supervision and administration	20,776
Instructional library, media, and technology	474,896
School administration	21,323
Home-to-school transportation	2,716,479
Food services	1,858,799
All other pupil services	237,206
Centralized data processing	2,898,474
Plant services	689,296
<b>Total</b>	<b>\$ 9,587,759</b>

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2016 were as follows:

	Due To Other Funds	Due From Other Funds		
		General Fund	Non-Major Governmental Funds	Total
General Fund		\$ -	\$ 319,733	\$ 319,733
Building Fund		775	-	775
Non-Major Governmental Funds		329,261	-	329,261
<b>Total Due From Other Funds</b>		<b>\$ 330,036</b>	<b>\$ 319,733</b>	<b>\$ 649,769</b>

Due from the General Fund to the Capital Facilities Fund to move Redevelopment Funds.	\$ 297,191
Due from the General Fund to the Cafeteria Special Revenue Fund for inventory expenses and cafeteria sales.	21,814
Due from the General Fund to the Child Development Fund to move Quality Preschool Initiative (QPI) expenses.	728
Due from the Cafeteria Special Revenue Fund to the General Fund for indirect costs, Workers' Compensation costs, and OPEB costs.	202,191
Due from the Child Development Fund to the General Fund to repay loan and move other expenses.	100,121
Due from the Capital Facilities Fund to the General Fund for administrative costs.	26,949
Due from the Building Fund to the General Fund for Workers' Compensation costs and OPEB costs.	775
<b>Total</b>	<b>\$ 649,769</b>

B. Interfund Transfers

There was a transfer from the Child Development Fund to the General Fund in the amount of \$9 to correct for prior year adjustments related to State Preschool funding during the year ended June 30, 2016.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Total Governmental Activities
Payroll	\$ 6,162,090	\$ 487	\$ 148,875	\$ -	\$ -	\$ 6,311,452
Construction	-	319,168	178,239	-	-	497,407
Vendors payable	904,451	-	144,925	157,297	-	1,206,673
Unmatured interest	-	-	-	-	3,162,821	3,162,821
Taxes payable	22,041	-	-	-	-	22,041
Due to grantor government	3,681,810	-	-	-	-	3,681,810
<b>Total</b>	<b>\$ 10,770,392</b>	<b>\$ 319,655</b>	<b>\$ 472,039</b>	<b>\$ 157,297</b>	<b>\$ 3,162,821</b>	<b>\$ 14,882,204</b>

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2016 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal sources	\$ 14,685	\$ -	\$ 14,685	\$ -
State categorical sources	46,580	-	46,580	-
Local sources	552,700	118,992	671,692	153
<b>Total</b>	<b>\$ 613,965</b>	<b>\$ 118,992</b>	<b>\$ 732,957</b>	<b>\$ 153</b>

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 224,012,194	\$ 77,790,000	\$ 63,174,716	\$ 238,627,478	\$ 2,469,953
Unamortized premium	9,847,750	6,102,453	2,167,519	13,782,684	784,044
Accreted interest	26,832,648	5,159,738	2,919,258	29,073,128	-
Total general obligation bonds	260,692,592	89,052,191	68,261,493	281,483,290	3,253,997
Capital leases	827,430	-	234,904	592,526	290,571
Compensated absences	921,924	616,449	29,859	1,508,514	-
Net OPEB obligation	931,166	21,250	-	952,416	-
Net pension liability	145,489,380	21,130,767	-	166,620,147	-
<b>Total</b>	<b>\$ 408,862,492</b>	<b>\$ 110,820,657</b>	<b>\$ 68,526,256</b>	<b>\$ 451,156,893</b>	<b>\$ 3,544,568</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for capital lease obligations are made in the General Fund and Special Reserve Fund for Capital Outlay Projects.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

A. **Bonded Debt**

The outstanding bonded debt as of June 30, 2016 consists of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
					Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016
2000 Election, Series E	6/22/2005	8/1/2004	3.0 - 5.0%	\$ 25,000,000	\$ 8,060,000	\$ -	\$ 8,060,000	\$ -
2000 Election, Series F	6/20/2006	8/1/2035	4.0 - 7.0%	25,550,000	9,705,000	-	9,705,000	-
2008 Election, Series A	3/4/2009	8/1/2031	3.8 - 8.0%	49,995,054	49,762,921	-	131,726	49,631,195
2009 GOB Refunding of 2000 Series A, B, C	3/4/2009	8/1/2035	3.0 - 4.25%	16,600,000	16,600,000	-	6,575,000	10,025,000
2008 Election, Series B	5/5/2010	8/1/2049	6.51 - 10.45%	29,999,991	29,999,991	-	6,948,603	23,051,388
2010 GOB Refunding of 2000 Series B, D, E, F	5/5/2010	8/1/2028	3.125 - 5.0%	14,320,000	14,320,000	-	3,260,000	11,060,000
2011 Qualified School Construction Bond	4/28/2011	5/1/2016	4.50%	25,000,000	25,000,000	-	25,000,000	-
2008 Election, Series C	4/11/2012	8/1/2051	5.82 - 6.98%	14,999,282	14,999,282	-	3,494,387	11,504,895
2012 GOB Refunding of Series C, D, E	4/11/2012	8/1/2027	2.0 - 3.5%	23,585,000	23,180,000	-	-	23,180,000
2014 GOB Refunding of Series D, E, F	8/1/2014	8/1/2034	3.0 - 5.0%	32,385,000	32,385,000	-	-	32,385,000
2015 GOB Refunding	11/3/2015	8/1/2051	2.0 - 5.0%	42,790,000	-	42,790,000	-	42,790,000
2008 Election, Series D	3/22/2016	8/1/2045	2.0 - 5.0%	35,000,000	-	35,000,000	-	35,000,000
					\$ 224,012,194	\$ 77,790,000	\$ 63,174,716	\$ 238,627,478

**Election of 2000 Proposition G General Obligation Bond Authorization**

The election of 2000 authorized \$125,000,000 in general obligation bonds issued in Series A through F. In 2009, 2011, 2012, 2014 and 2015, \$16,600,000, \$14,320,000, \$23,585,000, \$32,385,000, and \$42,790,000, respectively, were issued in refunding bonds were to advance refund a portion of the original issuances. The proceeds associated with the refunding bonds were deposited in an escrow fund for future payment. The portion of the original bonds refunded is considered fully defeased and is not recorded on the financial statements.

**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, 2016, the District has issued \$129,994,327 and the amount outstanding as of June 30, 2016 was \$119,187,478, excluding accreted interest in the amount of \$18,630,138.

**2015 General Obligation Refunding Bonds**

On November 3, 2015, the District issued 2015 General Obligation Refunding Bonds in the amount of \$42,790,000. The net proceeds received for the bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the Election of 2000, Election of 2008, 2009 Refunding, and 2010 Refunding General Obligation Bonds that were refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred charges on refunding of \$8,934,388 remain to be amortized. This refunding reduced total debt service payments by \$1,116,896 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$20,065,345.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 8 – LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

**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. These bonds matured on May 1, 2016, and were retired through sources provided from the Election 2008, Series D bonds that were issued on March 22, 2016.

**Debt Service Requirements to Maturity – Bonds**

The annual requirements to amortize debt related to the general obligation bonds payable outstanding as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 3,804,953	\$ 7,140,027	\$ 10,944,980
2018	7,321,200	7,936,462	15,257,662
2019	4,610,690	7,966,522	12,577,212
2020	5,291,908	7,932,292	13,224,200
2021	6,137,792	7,729,108	13,866,900
2022 - 2026	37,393,465	44,684,785	82,078,250
2027 - 2031	46,215,536	54,202,954	100,418,490
2032 - 2036	59,030,845	43,131,677	102,162,522
2037 - 2041	16,583,192	80,618,108	97,201,300
2042 - 2046	23,509,669	110,580,296	134,089,965
2047 - 2051	25,044,006	22,976,353	48,020,359
2052	3,684,222	403,879	4,088,101
Total	\$ 238,627,478	\$ 395,302,463	\$ 633,929,941

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$1,508,514. This amount is included as part of long-term liabilities in the government-wide financial statements.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 8 – LONG-TERM DEBT (continued)

C. Other Postemployment Benefits (OPEB) Obligation

The District's annual cost for the year ended June 30, 2016, was \$1,743,945 and contributions made by the District during the year were \$1,722,695, which resulted in a net OPEB obligation of \$952,416. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

D. Capital Leases

The District entered into a capital lease during the year ended June 30, 2014 for computers and equipment. Future minimum lease payments under the capital leases were as follows at June 30, 2016:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2017	\$ 313,785
2018	313,785
Total minimum lease payments	<u>627,570</u>
Less amount representing interest	(35,044)
Present value of minimum lease payments	<u>\$ 592,526</u>

E. Net Pension Liability

The District's beginning net pension liability was \$145,489,380 and increased by \$21,130,767 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$166,620,147. See Note 11 for additional information regarding the net pension liability.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2016:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 290,000	\$ -	\$ -	\$ 10,000	\$ 300,000
Stores inventory	94,118	-	-	345,790	439,908
Total non-spendable	384,118	-	-	355,790	739,908
Restricted					
Educational programs	2,844,291	-	-	65,258	2,909,549
Capital projects	-	20,459,639	-	3,980,508	24,440,147
Debt service	-	-	13,065,749	-	13,065,749
All others	-	-	-	1,853,192	1,853,192
Total restricted	2,844,291	20,459,639	13,065,749	5,898,958	42,268,637
Committed					
Other commitments	250,000	-	-	-	250,000
Total committed	250,000	-	-	-	250,000
Assigned					
Other assignments	6,250,392	-	-	-	6,250,392
Total assigned	6,250,392	-	-	-	6,250,392
Unassigned					
Reserve for economic uncertainties	11,239,428	-	-	-	11,239,428
Total unassigned	11,239,428	-	-	-	11,239,428
<b>Total</b>	<b>\$ 20,968,229</b>	<b>\$ 20,459,639</b>	<b>\$ 13,065,749</b>	<b>\$ 6,254,748</b>	<b>\$ 60,748,365</b>

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

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

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

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

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

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	96
Active plan members	1,580
Total*	<u>1,676</u>

Number of participating employers	1
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\*As of May 1, 2015 actuarial study

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 2015-16, the District contributed \$1,722,695 to the Plan, all of which was used for current premiums.

As of June 30, 2016, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.



OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 1,748,092
Interest on net OPEB obligation	41,902
Adjustment to annual required contribution	(46,049)
Annual OPEB cost (expense)	<u>1,743,945</u>
Contributions made	<u>(1,722,695)</u>
Increase (decrease) in net OPEB obligation	21,250
Net OPEB obligation, beginning of the year	<u>931,166</u>
Net OPEB obligation, end of the year	<u>\$ 952,416</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2016	\$ 1,743,945	99%	\$ 952,416
2015	\$ 1,744,738	90%	\$ 931,166
2014	\$ 474,845	74%	\$ 753,300

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2015	\$ -	\$ 19,474,190	\$ 19,474,190	0%	\$ 120,691,183	16%

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

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

E. Actuarial Methods and Assumptions

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

Valuation Date	5/1/2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	30
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	4.5%
Discount rate	4.5%
Health care trend rate	4.0%
Inflation rate	2.8%

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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**NOTE 11 – PENSION PLANS**

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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 127,591,187	\$ 10,001,655	\$ 15,522,049	\$ 9,382,535
PERS Pension	39,028,960	7,127,892	5,642,733	3,281,186
<b>Total</b>	<b>\$ 166,620,147</b>	<b>\$ 17,129,547</b>	<b>\$ 21,164,782</b>	<b>\$ 12,663,721</b>

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 60***

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits provided (continued)

*CalSTRS 2% at 62*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, 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 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$10,001,655 for the year ended June 30, 2016.

**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 \$6,215,309 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 127,591,187
State's proportionate share of the net pension liability associated with the District	67,481,492
Total	<u>\$ 195,072,679</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was .19 percent, which was a decrease of .005 percent from its proportion measured as of June 30, 2014.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$9,382,535. In addition, the District recognized pension expense and revenue of \$5,225,807 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 10,400,755
Differences between expected and actual experience	-	2,132,079
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,989,215
District contributions subsequent to the measurement date	10,001,655	-
	<u>\$ 10,001,655</u>	<u>\$ 15,522,049</u>

The \$10,001,655 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 3,453,738
2018	3,453,738
2019	3,453,738
2020	3,453,738
2021	853,549
2022	853,548
	<u>\$ 15,522,049</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

\* 10-year geometric average

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District's proportionate share of the net pension liability	\$ 192,652,762	\$ 127,591,187	\$ 73,519,769

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

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 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$3,913,069 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability of \$39,028,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was .265 percent, which was a decrease of .017 percent from its proportion measured as of June 30, 2014.



OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$3,281,186. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,336,385
Differences between expected and actual experience	2,230,564	-
Changes in assumptions	-	2,398,048
Changes in proportion and differences between District contributions and proportionate share of contributions	984,259	1,908,300
District contributions subsequent to the measurement date	3,913,069	-
	<u>\$ 7,127,892</u>	<u>\$ 5,642,733</u>

The \$3,913,069 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 1,097,246	\$ 1,819,044
2018	1,097,246	1,819,044
2019	1,020,331	1,670,549
2020	-	334,096
	<u>\$ 3,214,823</u>	<u>\$ 5,642,733</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

\* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

**Discount rate**

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District’s proportionate share of the net pension liability	\$ 63,522,884	\$ 39,028,960	\$ 18,660,626

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**NOTE 12 – 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, 2016.

**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, 2016.

**C. Construction Commitments**

As of June 30, 2016, the District had \$15,760,103 in commitments with respect to unfinished Proposition H capital projects..

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

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

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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OCEANSIDE UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 157,805,797	\$ 157,129,560	\$ 156,448,798	\$ (680,762)
Federal sources	17,336,728	19,448,034	19,544,198	96,164
Other state sources	15,900,439	16,140,686	23,013,478	6,872,792
Other local sources	13,174,981	15,321,380	14,734,661	(586,719)
<b>Total Revenues</b>	<b>204,217,945</b>	<b>208,039,660</b>	<b>213,741,135</b>	<b>5,701,475</b>
<b>EXPENDITURES</b>				
Certificated salaries	89,908,686	93,809,369	93,729,299	80,070
Classified salaries	30,999,462	32,333,197	32,052,650	280,547
Employee benefits	45,634,646	46,644,819	52,738,098	(6,093,279)
Books and supplies	6,007,217	9,404,221	6,969,723	2,434,498
Services and other operating expenditures	18,320,105	19,706,561	18,274,081	1,432,480
Capital outlay	2,820,616	2,411,261	2,592,319	(181,058)
Other outgo				
Excluding transfers of indirect costs	2,169,756	2,150,041	2,172,041	(22,000)
Transfers of indirect costs	(408,842)	(459,559)	(438,637)	(20,922)
<b>Total Expenditures</b>	<b>195,451,646</b>	<b>205,999,910</b>	<b>208,089,574</b>	<b>(2,089,664)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>8,766,299</b>	<b>2,039,750</b>	<b>5,651,561</b>	<b>3,611,811</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	9	9
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>9</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>8,766,299</b>	<b>2,039,750</b>	<b>5,651,570</b>	<b>3,611,820</b>
<b>Fund Balance - Beginning</b>	<b>13,820,974</b>	<b>15,316,659</b>	<b>15,316,659</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 22,587,273</b>	<b>\$ 17,356,409</b>	<b>\$ 20,968,229</b>	<b>\$ 3,611,820</b>

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

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education and Deferred Maintenance Funds in accordance with the fund type definitions promulgated by GASB Statement No. 54.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2016

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Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2015	\$ -	\$ 19,474,190	\$ 19,474,190	0%	\$ 120,691,183	16%
May 1, 2013	\$ -	\$ 7,025,289	\$ 7,025,289	0%	\$ 120,598,524	6%
May 1, 2011	\$ -	\$ 8,100,356	\$ 8,100,356	0%	\$ 105,661,992	8%

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.190%	0.194%
District's proportionate share of the net pension liability	\$ 127,591,187	\$ 113,507,163
States's proportionate share of the net pension liability associated with the District	67,481,492	68,540,525
Total	<u>\$ 195,072,679</u>	<u>\$ 182,047,688</u>
District's covered-employee payroll	\$ 93,104,876	\$ 87,020,090
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.0%	130.4%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%



**OCEANSIDE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
CALPERS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.265%	0.282%
District's proportionate share of the net pension liability	\$ 39,028,960	\$ 31,982,217
District's covered-employee payroll	\$ 32,909,499	\$ 29,597,587
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.6%	108.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
 FOR THE YEAR ENDED JUNE 30, 2016

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 10,001,655	\$ 7,727,385
Contributions in relation to the contractually required contribution*	(10,001,655)	(7,727,385)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 93,104,876	\$ 87,020,090
Contributions as a percentage of covered-employee payroll	10.74%	8.88%

\*Amounts do not include on behalf contributions

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2016

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,913,069	\$ 3,483,635
Contributions in relation to the contractually required contribution	(3,913,069)	(3,483,635)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 32,909,499	\$ 29,597,587
Contributions as a percentage of covered-employee payroll	11.89%	11.77%

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Funding Progress**

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

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2016

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2016, the District incurred an excess of expenditures over appropriations in the General Fund presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 46,644,819	\$ 52,738,098	\$ 6,093,279
Capital outlay	\$ 2,411,261	\$ 2,592,319	\$ 181,058
Other outgo			
Excluding transfers of indirect costs	\$ 2,150,041	\$ 2,172,041	\$ 22,000
Transfers of indirect costs	\$ (459,559)	\$ (438,637)	\$ 20,922

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**SUPPLEMENTARY  
INFORMATION**

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OCEANSIDE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

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, Basic Grants Low-Income and Neglected	84.010	14329	\$ 4,449,981
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831	52,858
Title I, Migrant Education	84.011	14838	271,480
Title II, Part A, Teacher Quality	84.367	14341	767,826
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	480,865
Title III, Immigrant Education Program	84.365	15146	29,636
Subtotal Title III			<u>510,501</u>
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	640,892
Title VIII, Impact Aid [1]	84.041	10015	6,104,736
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,084,183
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	214,130
Part B, Preschool Grants	84.173	13430	112,118
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	220,944
Preschool Staff Development	84.173A	13431	1,233
Subtotal Special Education Cluster			<u>3,632,608</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	164,393
E-Rate Federal Communication Commission	84.UNKNOWN	*	237,270
<b>Total U. S. Department of Education</b>			<u><u>16,832,545</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Severe Need	10.553	13526	1,240,675
National School Lunch Program	10.555	13391	4,246,447
Meal Supplements	10.555	*	192,105
USDA Commodities [2]	10.555	*	496,054
Summer Food Service Program for Children	10.559	13004	313,362
Subtotal Child Nutrition Cluster			<u>6,488,643</u>
Child Care Food Program (CCFP)	10.558	13394	511,548
<b>Total U. S. Department of Agriculture</b>			<u><u>7,000,191</u></u>
U. S. DEPARTMENT OF DEFENSE:			
<i>Passed through California Department of Defense:</i>			
Impact Aid - Department of Defense	12.558	*	688,335
Project OPTIME [1]	12.557	*	843,872
<b>Total U. S. Department of Defense</b>			<u><u>1,532,207</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medicaid			
Medi-Cal Billing Option	93.778	10013	1,006,136
Medi-Cal Administrative Activities	93.778	10060	417,361
Subtotal Medicaid			<u>1,423,497</u>
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>1,423,497</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 26,788,440</u></u>

[1] - Major Program

[2] - In-Kind Contribution

\* - Pass-Through Entity Identifying Number not available or not applicable

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	6,125.76	6,103.47
Extended Year Special Education	12.39	12.39
Special Education - Nonpublic Schools	0.98	0.96
Extended Year Special Education - Nonpublic Schools	0.23	0.23
Total TK/K through Third	6,139.36	6,117.05
Fourth through Sixth		
Regular ADA	4,232.25	4,222.95
Extended Year Special Education	5.49	5.49
Special Education - Nonpublic Schools	0.98	0.97
Extended Year Special Education - Nonpublic Schools	0.23	0.23
Total Fourth through Sixth	4,238.95	4,229.64
Seventh through Eighth		
Regular ADA	2,605.10	2,600.38
Extended Year Special Education	1.68	1.68
Special Education - Nonpublic Schools	4.12	4.07
Extended Year Special Education - Nonpublic Schools	0.58	0.57
Total Seventh through Eighth	2,611.48	2,606.70
Ninth through Twelfth		
Regular ADA	4,963.14	4,904.58
Extended Year Special Education	4.78	4.78
Special Education - Nonpublic Schools	9.48	9.71
Extended Year Special Education - Nonpublic Schools	2.39	2.39
Total Ninth through Twelfth	4,979.79	4,921.46
TOTAL SCHOOL DISTRICT	17,969.58	17,874.85



OCEANSIDE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2016

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Grade Level	Minutes Requirement	2015-16	Number of Days	Status
		Actual Minutes		
Kindergarten	36,000	36,000	180	Complied
Grade 1	50,400	54,090	180	Complied
Grade 2	50,400	54,090	180	Complied
Grade 3	50,400	54,090	180	Complied
Grade 4	54,000	54,090	180	Complied
Grade 5	54,000	54,090	180	Complied
Grade 6	54,000	57,197	180	Complied
Grade 7	54,000	57,197	180	Complied
Grade 8	54,000	61,475	180	Complied
Grade 9	64,800	66,090	180	Complied
Grade 10	64,800	66,090	180	Complied
Grade 11	64,800	66,090	180	Complied
Grade 12	64,800	66,090	180	Complied

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017 (Budget)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 210,714,648	\$ 213,741,144	\$ 183,324,511	\$ 167,701,979
Expenditures And Other Financing Uses	212,472,824	208,089,574	185,666,297	177,999,720
Net change in Fund Balance	\$ (1,758,176)	\$ 5,651,570	\$ (2,341,786)	\$ (10,297,741)
Ending Fund Balance	\$ 19,210,052	\$ 20,968,229	\$ 15,316,659	\$ 17,658,445
Available Reserves*	\$ 7,950,676	\$ 11,239,427	\$ 10,937,098	\$ 10,048,898
Available Reserves As A Percentage Of Outgo	3.74%	5.40%	5.89%	5.65%
Long-term Debt	\$ 447,612,325	\$ 451,156,893	\$ 408,862,492	\$ 258,435,615
Average Daily Attendance At P-2	17,970	17,970	18,135	18,667

The General Fund balance has increased by \$3,309,784 over the past two years. The fiscal year 2016-17 budget projects a decrease of \$1,758,176. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long term obligations have increased by \$182,278,288 over the past two years.

Average daily attendance has decreased by 697 ADA over the past two years. No change in ADA is anticipated during the 2016-17 fiscal year.

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

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

OCEANSIDE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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*There were no adjustments to ending fund balance for the year ended June 30, 2016.*

OCEANSIDE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2016

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<b>Charter School</b>	<b>Status</b>	<b>Included in Audit Report</b>
Coastal Academy	Active	No
Pacific View Charter	Active	No

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 107,721	\$ 737,857	\$ 3,861,395	\$ 4,706,973
Accounts receivable	65,453	1,709,981	27,110	1,802,544
Due from other funds	728	21,814	297,191	319,733
Stores inventory	-	345,790	-	345,790
<b>Total Assets</b>	<b>\$ 173,902</b>	<b>\$ 2,815,442</b>	<b>\$ 4,185,696</b>	<b>\$ 7,175,040</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 8,523	\$ 285,277	\$ 178,239	\$ 472,039
Due to other funds	100,121	202,191	26,949	329,261
Unearned revenue	-	118,992	-	118,992
<b>Total Liabilities</b>	<b>108,644</b>	<b>606,460</b>	<b>205,188</b>	<b>920,292</b>
<b>FUND BALANCES</b>				
Non-spendable	-	355,790	-	355,790
Restricted	65,258	1,853,192	3,980,508	5,898,958
<b>Total Fund Balances</b>	<b>65,258</b>	<b>2,208,982</b>	<b>3,980,508</b>	<b>6,254,748</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 173,902</b>	<b>\$ 2,815,442</b>	<b>\$ 4,185,696</b>	<b>\$ 7,175,040</b>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds
<b>REVENUES</b>				
Federal sources	\$ -	\$ 7,000,191	\$ -	\$ 7,000,191
Other state sources	1,037,380	473,210	-	1,510,590
Other local sources	25,553	1,420,829	1,424,375	2,870,757
<b>Total Revenues</b>	<b>1,062,933</b>	<b>8,894,230</b>	<b>1,424,375</b>	<b>11,381,538</b>
<b>EXPENDITURES</b>				
Current				
Instruction	851,644	-	-	851,644
Instruction-related services				
Instructional supervision and administration	67,314	-	-	67,314
Pupil services				
Food services	24,605	8,723,315	-	8,747,920
All other pupil services	1,304	-	-	1,304
General administration				
All other general administration	45,538	393,099	26,949	465,586
Plant services	69,120	-	299,488	368,608
Facilities acquisition and maintenance	-	-	382,755	382,755
<b>Total Expenditures</b>	<b>1,059,525</b>	<b>9,116,414</b>	<b>709,192</b>	<b>10,885,131</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>3,408</b>	<b>(222,184)</b>	<b>715,183</b>	<b>496,407</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(9)	-	-	(9)
<b>Net Financing Sources (Uses)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(9)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,399</b>	<b>(222,184)</b>	<b>715,183</b>	<b>496,398</b>
<b>Fund Balance - Beginning</b>	<b>61,859</b>	<b>2,431,166</b>	<b>3,265,325</b>	<b>5,758,350</b>
<b>Fund Balance - Ending</b>	<b>\$ 65,258</b>	<b>\$ 2,208,982</b>	<b>\$ 3,980,508</b>	<b>\$ 6,254,748</b>

**OCEANSIDE UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2016**

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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**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Mike Blessing	President	December 2017
Dr. Adrienne Hakes	Vice President	December 2017
Robert “Camo” Gleisberg	Clerk	December 2019
Ann Corwin	Member	December 2019
Ms. Emily Ortiz Wichmann	Member	December 2019

**DISTRICT ADMINISTRATORS**

Mr. Duane Coleman, Ed.D.  
*Superintendent*

Chris Wright  
*Associate Superintendent, Business Services*

Mr. Kenneth C. Hurst Sr., Ed.D.  
*Associate Superintendent, Education Services*

Cheri Sanders  
*Associate Superintendent, Human Resources*

Karen Huddleston  
*Controller*

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2016 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2016.

The District has not elected to use the 10 percent de minimis indirect cost rate.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 26,544,389
Medi-Cal Billing Option	93.778	<u>244,051</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$26,788,440</u>

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of student at various grade levels and in different programs.

**Schedule of Instructional Time**

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 46208*. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.



OCEANSIDE UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2016

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NOTE 1 – PURPOSE OF SCHEDULES (continued)

**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.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Schedule of Charter Schools**

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

**Combining Statements – Non-Major Funds**

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

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board  
Oceanside Unified School District  
Oceanside, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oceanside Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Oceanside Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oceanside Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oceanside Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Oceanside Unified School District's internal control.

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

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Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 14, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
Oceanside Unified School District  
Oceanside, California

**Report on Compliance for Each Major Federal Program**

We have audited Oceanside Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oceanside Unified School District's major federal programs for the year ended June 30, 2016. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Oceanside Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Oceanside Unified School District's compliance.

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### *Opinion on Each Major Federal Program*

In our opinion, Oceanside Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of Oceanside Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oceanside Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oceanside Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 14, 2016

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
Oceanside Unified School District  
Oceanside, California

#### **Report on State Compliance**

We have audited Oceanside Unified School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Oceanside Unified School District's state programs for the fiscal year ended June 30, 2016, as identified below.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Oceanside Unified School District's state programs based on our audit of the types of compliance requirements referred to above. 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 the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 that could have a direct and material effect on the state programs noted below 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 on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Oceanside Unified School District's compliance with those requirements.

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### *Opinion on State Compliance*

In our opinion, Oceanside Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2016-1. Our opinion on state compliance is not modified with respect to these matters.

Oceanside Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Oceanside Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express opinion on the matter.

### *Procedures Performed*

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:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

*(Continued on the next page)*



*Procedures Performed (continued)*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

*Christy White Associates*

San Diego, California  
December 14, 2016

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**OCEANSIDE UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>12.557</u>	<u>Project OPTIME</u>
<u>84.041</u>	<u>Title VIII, Impact Aid</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>788,772</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

*There were no financial statement findings for the year ended June 30, 2016.*

OCEANSIDE UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2016.*

OCEANSIDE UNIFIED SCHOOL DISTRICT  
 STATE AWARD FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2016

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2016-01 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

**Condition:** One (1) of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to justify their designation. The student in question was selected for NSLP Income Verification and were changed to “Paid” status as a result of verification procedures. Upon further testing of 100% of the NSLP Income Verification sample selected for 2015-16, we identified an additional 82 students without proper supporting documentation for a total of 83 ineligible students.

**Cause:** Incorrect classification of students.

**Effect:** The District is not in compliance with State requirements.

**Context:** 83 of 38,233 (13,075 in 2013-14, 13,075 in 2014-15, and 12,083 in 2015-16) students reported in the District’s Total Adjusted Unduplicated Pupil Count from the Unduplicated Pupil Percentage Exhibit at P-2 were inaccurately classified based on changes in status that took place following NSLP Income Verification procedures.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

**FINDING #2016-01 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**  
**(continued)**

**Questioned Cost:** \$73,272, as calculated below.

<b>UPP Audit Adjustment</b>		<b>Section 1: Regular UPP</b>	<b>Section 2: Alternate UPP*</b>
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	58,074	57,588
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	38,335	38,233
3	Number of Unduplicated Pupil Count audit adjustment		(83)
4	Revised Adjusted Unduplicated Pupil Count	38,252	38,150
5	UPP calculated as of P-2	0.6601	0.6639
6	Revised UPP for audit finding	0.6587	0.6625
7	Greater of Revised UPP for audit finding from Section 1 or 2		<b>0.6625</b>
8	<b>Charter Schools Only:</b> Determinative School District Concentration Cap		-
9	Revised UPP adjusted for Concentration Cap		<b>0.6625</b>
<b>LCFF Target Base Grant Funding</b>		<b>Estimated Values</b>	
10	Total Base Grant Funding as of P-2	\$142,257,317	
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>			
11	Target Supplemental Grant Funding calculated as of P-2	\$18,888,927	
12	Revised Target Supplemental Grant Funding for audit finding	\$18,849,095	
13	Target Supplemental Grant Funding audit adjustment	<b>(\$39,832)</b>	
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>			
14	Target Concentration Grant Funding calculated as of P-2	\$8,101,554	
15	Revised Target Concentration Grant Funding for audit finding	\$8,001,974	
16	Target Concentration Grant Funding audit adjustment	<b>(\$99,580)</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>			
17	Total Target Supplemental and Concentration audit adjustment	<b>(\$139,412)</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	<b>(\$73,272)</b>	

**Recommendation:** We recommend that the District ensure that all changes in FRPM eligibility based on outcome of NSLP Income Verification are accurately reflected in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report following the completion of procedures and prior to the close of the fall amendment window.

**District Response:** OUSD is in the process of implementing procedures to ensure that all changes in FRPM eligibility based on the outcomes of the NSLP income verification are accurately reflected in CALPADS database. We are coordinating efforts of the CNS staff along with district staff responsible for the CALPADS data to make consistent changes based on corrections to eligibility.

OCEANSIDE UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

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**FINDING #2015-01: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (ASES) (40000)**

**Criteria:** Education Code 8482.3 requires districts applying for ASES funding to follow all fiscal reporting and accounting requirements of the California Department of Education. The auditor is to verify the district has maintained proper controls over the ASES program to ensure that amounts recorded for reporting to the state are accurate.

**Condition:** We tested the system report of attendance for the month of November. From that report the auditors haphazardly selected 10 students from each site and traced the recorded attendance to a sign in/out sheet, as well as early release form if applicable, for each day within the time period selected. We also confirmed that each student participated in a full day if they did not have an allowable early release policy in place. The results of our testing of the system report shows 89 valid days for the week of 11/10/14 -11/14/14. The auditor only noted 84 valid dates for this same week per the sign in sheets.

**Effect:** Incorrect attendance being reported on the report submitted to the state.

**Cause:** No manual reconciliation of sign-in and sign-out sheets.

**Questioned Cost:** None. The misstatements noted did not cause the District to fall below the 85% attendance threshold and would therefore result in no questioned costs.

**Perspective:** Discrepancies were noted in testing of the first half of the reporting period.

**Recommendation:** We recommend that the District perform and print monthly reconciliations of manual sign-in and sign-out sheets to the system detail reports to ensure that the correct number of students is being recorded for attendance reporting purposes.

**District Response:** The District will implement a manual reconciliation process of actual sign-in/sign-out sheets to match monthly system reports.

**Current Status:** Implemented