

OCEANSIDE UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2019



OCEANSIDE UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION

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, 2019, 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.

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

Basis for Qualified Opinion on Governmental Activities

Because the District's account records were inadequate and certain supporting documents were not available, we were unable to obtain sufficient appropriate audit evidence supporting the amounts at which capital asset and related accumulated depreciation were reported in the accompanying financial statements at \$456,805,218 and \$131,375,338 respectively, as of June 30, 2019.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oceanside Unified School District as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Oceanside Unified School District as of June 30, 2019, 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 changes in total OPEB liability and related ratios, 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, as 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 12, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oceanside Unified School District's 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, Inc.

San Diego, California
December 12, 2019

OCEANSIDE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

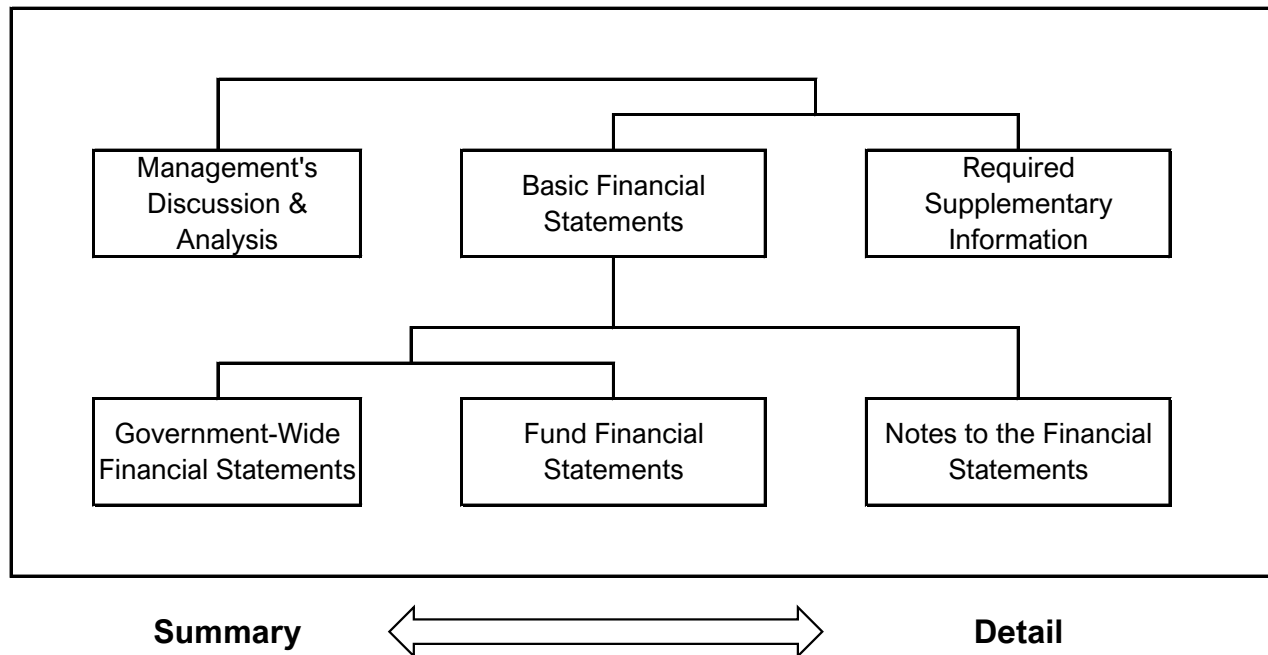
Our discussion and analysis of Oceanside Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$(80,212,504) at June 30, 2019. This was a decrease of \$2,867,584 from the prior year.
- Overall revenues were \$250,114,093 which were exceeded by expenses of \$252,981,677.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

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. Local control formula 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, 2019**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(80,212,504) at June 30, 2019, as reflected in the table below. Of this amount, \$(220,031,624) 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.

	Governmental Activities		
	2019	2018	Net Change
ASSETS			
Current and other assets	\$ 91,761,442	\$ 79,380,042	\$ 12,381,400
Capital assets	325,429,880	325,429,880	-
Total Assets	417,191,322	404,809,922	12,381,400
DEFERRED OUTFLOWS OF RESOURCES	66,642,705	74,320,296	(7,677,591)
LIABILITIES			
Current liabilities	25,181,809	20,052,884	5,128,925
Long-term liabilities	519,074,412	518,238,010	836,402
Total Liabilities	544,256,221	538,290,894	5,965,327
DEFERRED INFLOWS OF RESOURCES	19,790,310	18,184,244	1,606,066
NET POSITION			
Net investment in capital assets	106,482,478	99,590,342	6,892,136
Restricted	33,336,642	30,247,241	3,089,401
Unrestricted	(220,031,624)	(207,182,503)	(12,849,121)
Total Net Position	\$ (80,212,504)	\$ (77,344,920)	\$ (2,867,584)

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

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 it slightly, so you can see total revenues and expenses for the year.

As shown in the table below, the District's total revenues were roughly \$250.1 million. The total cost of all programs and services was roughly \$253.0 million. The District's expenses are predominately related to educating and caring for students (67%). Pupil Services (including transportation and food) account for 12% of expenses. Administrative activities accounted for just 5% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 11% of all costs. The remaining expenses were for ancillary services, community services, debt service, and other outgo.

	Governmental Activities		
	2019	2018	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 5,884,287	\$ 6,111,219	\$ (226,932)
Operating grants and contributions	36,388,585	33,923,655	2,464,930
General revenues			
Property taxes	85,713,984	80,530,582	5,183,402
Unrestricted federal and state aid	118,898,749	113,684,007	5,214,742
Other	3,228,488	4,024,984	(796,496)
Total Revenues	250,114,093	238,274,447	11,839,646
EXPENSES			
Instruction	146,287,810	132,381,194	13,906,616
Instruction-related services	24,130,121	24,656,414	(526,293)
Pupil services	29,662,762	31,665,546	(2,002,784)
General administration	12,751,879	15,993,541	(3,241,662)
Plant services	28,150,425	22,604,444	5,545,981
Ancillary and community services	176,976	185,497	(8,521)
Debt service	10,837,199	12,221,722	(1,384,523)
Other outgo	984,505	1,733,368	(748,863)
Total Expenses	252,981,677	241,441,726	11,539,951
Change in net position	(2,867,584)	(3,167,279)	299,695
Net Position - Beginning	(77,344,920)	(74,177,641)	(3,167,279)
Net Position - Ending	\$ (80,212,504)	\$ (77,344,920)	\$ (2,867,584)

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2019	2018
Instruction	\$ 121,927,950	\$ 107,934,809
Instruction-related services	19,796,664	21,774,021
Pupil services	20,223,761	21,964,999
General administration	10,003,798	14,898,395
Plant services	27,494,550	21,486,056
Ancillary and community services	175,662	185,326
Debt service	10,837,199	12,221,722
Transfers to other agencies	249,221	941,524
Total Expenses	\$ 210,708,805	\$ 201,406,852

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 approximately \$75.2 million, which is an increase from last year's ending fund balance of \$63.7 million. The District's General Fund had \$7.8 million more in operating revenues than expenditures for the year ended June 30, 2019. The District's Capital Facilities Fund had \$3.0 million more in operating revenues than expenditures for the year ended June 30, 2019. The District's Bond Interest and Redemption Fund balance had a net increase of \$1.3 million for the year ended June 30, 2019.

CURRENT YEAR BUDGET 2018-2019

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular 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, 2019**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2018-2019 the District had invested roughly \$325.4 million in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2019	2018	Net Change
CAPITAL ASSETS			
Land	\$ 16,837,847	\$ 16,837,847	\$ -
Construction in progress	1,787,864	1,787,864	-
Land improvements	7,842,141	7,842,141	-
Buildings & improvements	410,725,623	410,725,623	-
Furniture & equipment	19,611,743	19,611,743	-
Accumulated depreciation	(131,375,338)	(131,375,338)	-
Total Capital Assets	\$ 325,429,880	\$ 325,429,880	\$ -

Long-Term Liabilities

At year-end, the District had nearly \$519.1 million in long-term liabilities, an increase of 0.16% 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.)

	Governmental Activities		
	2019	2018	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 271,631,202	\$ 278,785,191	\$ (7,153,989)
Compensated absences	1,605,397	1,117,900	487,497
Total OPEB liability	18,093,900	16,704,952	1,388,948
Net pension liability	226,742,471	226,209,508	532,963
Less: current portion of long-term liabilities	(8,952,318)	(4,579,541)	(4,372,777)
Total Long-term Liabilities	\$ 519,074,412	\$ 518,238,010	\$ 836,402

**OCEANSIDE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus \$3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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.

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 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, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

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 2019-20 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, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 73,509,748
Accounts receivable	15,069,638
Inventory	298,369
Prepaid expenses	2,883,687
Capital assets, not depreciated	18,625,711
Capital assets, net of accumulated depreciation	306,804,169
Total Assets	417,191,322
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	57,830,092
Deferred outflows related to OPEB	350,775
Deferred amount on refunding	8,461,838
Total Deferred Outflows of Resources	66,642,705
LIABILITIES	
Accrued liabilities	15,240,448
Unearned revenue	989,043
Long-term liabilities, current portion	8,952,318
Long-term liabilities, non-current portion	519,074,412
Total Liabilities	544,256,221
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	19,790,310
Total Deferred Inflows of Resources	19,790,310
NET POSITION	
Net investment in capital assets	106,482,478
Restricted:	
Capital projects	10,599,593
Debt service	15,917,409
Educational programs	4,171,283
All others	2,648,357
Unrestricted	(220,031,624)
Total Net Position	\$ (80,212,504)

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 146,287,810	\$ 3,658,486	\$ 20,701,374	\$ (121,927,950)
Instruction-related services				
Instructional supervision and administration	8,645,422	257,273	3,378,010	(5,010,139)
Instructional library, media, and technology	3,198,370	147	127,272	(3,070,951)
School site administration	12,286,329	24,852	545,903	(11,715,574)
Pupil services				
Home-to-school transportation	6,401,701	-	211,902	(6,189,799)
Food services	8,405,917	483,647	6,610,963	(1,311,307)
All other pupil services	14,855,144	14,669	2,117,820	(12,722,655)
General administration				
Centralized data processing	3,035,586	-	37,953	(2,997,633)
All other general administration	9,716,293	1,406,660	1,303,468	(7,006,165)
Plant services	28,150,425	37,684	618,191	(27,494,550)
Ancillary services	110,220	-	906	(109,314)
Community services	66,756	-	408	(66,348)
Interest on long-term debt	10,837,199	-	-	(10,837,199)
Other outgo	984,505	869	734,415	(249,221)
Total Governmental Activities	\$ 252,981,677	\$ 5,884,287	\$ 36,388,585	(210,708,805)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				66,858,565
Property taxes, levied for debt service				18,038,316
Property taxes, levied for other specific purposes				817,103
Federal and state aid not restricted for specific purposes				118,898,749
Interest and investment earnings				896,266
Miscellaneous				2,332,222
Subtotal, General Revenue				207,841,221
CHANGE IN NET POSITION				(2,867,584)
Net Position - Beginning				(77,344,920)
Net Position - Ending				\$ (80,212,504)

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 31,937,122	\$ 10,096,663	\$ 20,093,408	\$ 6,894,869	\$ 69,022,062
Accounts receivable	12,743,378	101,252	-	2,177,641	15,022,271
Due from other funds	1,139,009	474,583	-	61,428	1,675,020
Stores inventory	75,322	-	-	223,047	298,369
Prepaid expenditures	2,883,687	-	-	-	2,883,687
Total Assets	\$ 48,778,518	\$ 10,672,498	\$ 20,093,408	\$ 9,356,985	\$ 88,901,409
LIABILITIES					
Accrued liabilities	\$ 10,890,660	\$ 7,665	\$ -	\$ 166,124	\$ 11,064,449
Due to other funds	519,788	65,240	-	1,089,831	1,674,859
Unearned revenue	989,043	-	-	-	989,043
Total Liabilities	12,399,491	72,905	-	1,255,955	13,728,351
FUND BALANCES					
Nonspendable	3,249,009	-	-	233,047	3,482,056
Restricted	4,490,087	10,599,593	20,093,408	7,867,983	43,051,071
Committed	500,000	-	-	-	500,000
Assigned	17,029,617	-	-	-	17,029,617
Unassigned	11,110,314	-	-	-	11,110,314
Total Fund Balances	36,379,027	10,599,593	20,093,408	8,101,030	75,173,058
Total Liabilities and Fund Balances	\$ 48,778,518	\$ 10,672,498	\$ 20,093,408	\$ 9,356,985	\$ 88,901,409

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds \$ 75,173,058

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	\$ 456,805,218	
Accumulated depreciation	<u>(131,375,338)</u>	325,429,880

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:

8,461,838

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 unmatrued interest owing at the end of the period was:

(4,175,999)

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	\$ 271,631,202	
Early retirement incentive	9,953,760	
Compensated absences	1,605,397	
Total OPEB liability	18,093,900	
Net pension liability	<u>226,742,471</u>	(528,026,730)

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	\$ 57,830,092	
Deferred inflows of resources related to pensions	<u>(19,790,310)</u>	38,039,782

(Continued on following page)

OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION (continued)
JUNE 30, 2019

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$	350,775	
Deferred inflows of resources related to OPEB		<u>-</u>	350,775

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:

4,534,892

Total Net Position - Governmental Activities

\$ (80,212,504)

**OCEANSIDE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 170,047,703	\$ -	\$ -	\$ -	\$ 170,047,703
Federal sources	19,117,277	-	-	6,579,714	25,696,991
Other state sources	27,652,441	-	113,549	2,100,151	29,866,141
Other local sources	13,179,608	3,191,561	18,144,995	1,444,675	35,960,839
Total Revenues	229,997,029	3,191,561	18,258,544	10,124,540	261,571,674
EXPENDITURES					
Current					
Instruction	140,858,412	-	-	686,017	141,544,429
Instruction-related services					
Instructional supervision and administration	8,610,116	-	-	72,835	8,682,951
Instructional library, media, and technology	2,871,827	-	-	-	2,871,827
School site administration	11,937,998	-	-	-	11,937,998
Pupil services					
Home-to-school transportation	5,640,495	-	-	-	5,640,495
Food services	66,592	-	-	7,741,310	7,807,902
All other pupil services	14,780,725	-	-	427	14,781,152
General administration					
Centralized data processing	2,805,903	-	-	-	2,805,903
All other general administration	8,752,198	72,944	-	426,515	9,251,657
Plant services	22,817,513	4,552	-	46,080	22,868,145
Facilities acquisition and maintenance	1,436,207	113,476	-	1,778,802	3,328,485
Ancillary services	106,950	-	-	-	106,950
Community services	64,900	-	-	-	64,900
Transfers to other agencies	1,456,462	-	-	-	1,456,462
Debt service					
Principal	-	-	4,610,690	-	4,610,690
Interest and other	-	-	8,050,862	-	8,050,862
Total Expenditures	222,206,298	190,972	12,661,552	10,751,986	245,810,808
Excess (Deficiency) of Revenues					
Over Expenditures	7,790,731	3,000,589	5,596,992	(627,446)	15,760,866
Other Financing Sources (Uses)					
Transfers in	-	-	-	684,939	684,939
Other sources	-	-	31,316,771	-	31,316,771
Transfers out	(17,189)	-	-	(667,750)	(684,939)
Other uses	-	-	(35,632,923)	-	(35,632,923)
Net Financing Sources (Uses)	(17,189)	-	(4,316,152)	17,189	(4,316,152)
NET CHANGE IN FUND BALANCE	7,773,542	3,000,589	1,280,840	(610,257)	11,444,714
Fund Balance - Beginning	28,605,485	7,599,004	18,812,568	8,711,287	63,728,344
Fund Balance - Ending	\$ 36,379,027	\$ 10,599,593	\$ 20,093,408	\$ 8,101,030	\$ 75,173,058

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ 11,444,714

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

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:

38,650,459

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:

(31,588,302)

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:

(225,860)

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:

(315,667)

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.

(1,019,589)

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:

(487,497)

(Continued on the 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, 2019**

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (1,038,173)

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: (9,871,535)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: (9,953,760)

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: 1,111,421

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: 426,205

Change in Net Position of Governmental Activities

\$ (2,867,584)

OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and investments	\$ 4,487,686
Accounts receivable	47,206
Total current assets	4,534,892
Total Assets	4,534,892
NET POSITION	
Restricted	4,534,892
Total Net Position	\$ 4,534,892

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities Internal Service Fund
OPERATING REVENUE	
Charges for services	\$ 1,742,588
Other local revenues	554,751
Total operating revenues	<u>2,297,339</u>
OPERATING EXPENSE	
Professional services	<u>1,958,542</u>
Total operating expenses	<u>1,958,542</u>
Operating income/(loss)	<u>338,797</u>
NON-OPERATING REVENUES	
Interest income	<u>87,408</u>
Total non-operating revenues/(expenses)	<u>87,408</u>
CHANGE IN NET POSITION	426,205
Net Position - Beginning	<u>4,108,687</u>
Net Position - Ending	<u>\$ 4,534,892</u>

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities Internal Service Fund
Cash flows from operating activities	
Cash received from user charges	\$ 2,335,327
Cash received (paid) from assessments made to (from) other funds	500,000
Cash payments for payroll, insurance, and operating costs	(1,958,542)
Net cash provided by (used for) operating activities	<u>876,785</u>
Cash flows from investing activities	
Interest received	<u>87,408</u>
Net cash provided by (used for) investing activities	<u>87,408</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>964,193</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	3,523,493
End of year	<u>\$ 4,487,686</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income/(loss)	\$ 338,797
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(32,012)
(Increase) decrease in deferred outflows of resources	70,000
(Increase) decrease in due from other funds	500,000
Net cash provided by (used for) operating activities	<u>\$ 876,785</u>

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Trust Funds Private-Purpose Trust Fund	Agency Funds Student Body Fund
ASSETS		
Cash and investments	\$ 159	\$ 879,854
Accounts receivable	2	3,184
Due from other funds	2	-
Stores inventory	-	53,869
Total Assets	163	\$ 936,907
LIABILITIES		
Due to other funds	163	\$ -
Due to student groups	-	936,907
Total Liabilities	163	\$ 936,907
NET POSITION		
Restricted	-	
Total Net Position	\$ -	

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Trust Funds Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	\$ 4
Other	157
Total Additions	<u>161</u>
DEDUCTIONS	
Benefits	<u>161</u>
Total Deductions	<u>161</u>
CHANGE IN NET POSITION	-
Net Position - Beginning	-
Net Position - Ending	<u>\$ -</u>

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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.

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*).

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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).

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Capital Project Funds: (continued)

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

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*).

Private-Purpose 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

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.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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)

Capital Assets (continued)

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their 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.

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 – June 30, 2019

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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.

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

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:

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

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

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

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

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

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

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has implemented GASB Statement No. 88 for the year ended June 30, 2019.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

A summary of balances for cash and investments at June 30, 2019 are as follows:

	Governmental Funds	Internal Service Funds	Governmental Activities	Fiduciary Funds
Investment in county treasury	\$ 68,094,814	\$ 4,487,686	\$ 72,582,500	\$ 159
Cash on hand and in banks	627,248	-	627,248	879,854
Cash in revolving fund	300,000	-	300,000	-
Total cash and investments	\$ 69,022,062	\$ 4,487,686	\$ 73,509,748	\$ 880,013

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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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.

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.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 \$72,756,943 and an amortized book value of \$72,582,659. The average weighted maturity for this pool is 528 days.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were rated AAAf/S1 by Standard & Poor's.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was exposed to custodial credit risk amounting to \$1,362,140 because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

G. 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, 2019 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 72,756,943
Total fair market value of investments	<u>\$ 72,756,943</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Governmental Activities	Fiduciary Funds
Federal Government							
Categorical aid	\$ 5,394,137	\$ -	\$ 1,634,878	\$ -	\$ -	\$ 7,029,015	\$ -
State Government							
Categorical aid	1,501,190	-	184,072	-	-	1,685,262	-
Lottery	850,728	-	-	-	-	850,728	-
Local Government							
Other local sources	4,997,323	101,252	358,691	47,206	161	5,504,633	3,186
Total	\$ 12,743,378	\$ 101,252	\$ 2,177,641	\$ 47,206	\$ 161	\$ 15,069,638	\$ 3,186

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 16,837,847	\$ -	\$ -	\$ 16,837,847
Construction in progress	1,787,864	-	-	1,787,864
Total Capital Assets not Being Depreciated	18,625,711	-	-	18,625,711
Capital assets being depreciated				
Land improvements	7,842,141	-	-	7,842,141
Buildings & improvements	410,725,623	-	-	410,725,623
Furniture & equipment	19,611,743	-	-	19,611,743
Total Capital Assets Being Depreciated	438,179,507	-	-	438,179,507
Less Accumulated Depreciation				
Land improvements	7,015,995	-	-	7,015,995
Buildings & improvements	105,472,520	-	-	105,472,520
Furniture & equipment	18,886,823	-	-	18,886,823
Total Accumulated Depreciation	131,375,338	-	-	131,375,338
Governmental Activities				
Capital Assets, net	\$ 325,429,880	\$ -	\$ -	\$ 325,429,880

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2019 were as follows:

Due To Other Funds	Due From Other Funds				Total
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Private-Purpose Trust Fund	
General Fund	\$ -	\$ 474,583	\$ 45,203	\$ 2	\$ 519,788
Capital Facilities Fund	65,240	-	-	-	65,240
Non-Major Governmental Funds	1,073,606	-	16,225	-	1,089,831
Foundation Private-Purpose Trust Fund	163	-	-	-	163
Total Due From Other Funds	\$ 1,139,009	\$ 474,583	\$ 61,428	\$ 2	\$ 1,675,022

Due from the General Fund to the Child Development Fund for SPED contribution	\$ 17,341
Due from the General Fund to the Child Development Fund to correct payroll expenses	27,862
Due from the General Fund to the Capital Facilities Fund for RDA Trust revenue	474,583
Due from the General Fund to the Foundation Private-Purpose Trust Fund for miscellaneous expenses	2
Due from the Child Development Fund to the General Fund for current and prior year closing expenses	81,240
Due from the Child Development Fund to the Cafeteria Fund for State Preschool snacks	15,580
Due from the Cafeteria Fund to the General Fund for current and prior year closing expenses and payroll expenses	983,663
Due from the Building Fund to the General Fund for current and prior year closing expenses	8,703
Due from the Capital Facilities Fund to the General Fund for administrative costs	65,240
Due from the State School Building Lease-Purchase Fund to the Building Fund for interest transfer	645
Due from the Foundation Private-Purpose Trust Fund to the General Fund for current year expenses	163
Total	\$ 1,675,022

B. Operating Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Interfund Transfers Out	Interfund Transfers In	
	Non-Major Governmental Funds	Total
General Fund	\$ 17,189	\$ 17,189
Non-Major Governmental Funds	667,750	667,750
Total Interfund Transfers	\$ 684,939	\$ 684,939

Transfer from the General Fund to the Child Development Fund to cover program expenditures	\$ 17,189
Transfer from the County School Facilities Fund to the Building Fund to support ongoing capital projects	667,750
Total	\$ 684,939

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 2,919,577	\$ 7,665	\$ 129,983	\$ -	\$ 3,057,225
Vendors payable	6,940,631	-	36,141	-	6,976,772
Unmatured interest	-	-	-	4,175,999	4,175,999
Due to grantor government	1,030,452	-	-	-	1,030,452
Total	\$ 10,890,660	\$ 7,665	\$ 166,124	\$ 4,175,999	\$ 15,240,448

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted of the following:

	General Fund
Federal sources	\$ 478,000
State categorical sources	227,085
Local sources	283,958
Total	\$ 989,043

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 227,501,325	\$ 30,370,000	\$ 38,650,459	\$ 219,220,866	\$ 5,721,908
Unamortized premium	13,112,030	1,218,302	1,111,421	13,218,911	741,970
Accreted interest	38,171,836	1,834,491	814,902	39,191,425	-
Total general obligation bonds	278,785,191	33,422,793	40,576,782	271,631,202	6,463,878
Early retirement incentive	-	12,442,200	2,488,440	9,953,760	2,488,440
Compensated absences	1,117,900	487,497	-	1,605,397	-
Total OPEB liability	16,704,952	1,388,948	-	18,093,900	-
Net pension liability	226,209,508	532,963	-	226,742,471	-
Total	\$ 522,817,551	\$ 48,274,401	\$ 43,065,222	\$ 528,026,730	\$ 8,952,318

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for the SERP retirement program are made in the General Fund.
- 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, 2019**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt

The outstanding bonded debt as of June 30, 2019 consists of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Additions	Deductions	Bonds Outstanding June 30, 2019
2008 Election, Series A	3/4/2009	8/1/2031	3.8 - 8.0%	\$49,995,054	\$ 48,825,042	\$ -	\$ 26,857,125	\$ 21,967,917
2009 GOB Refunding of 2000 Series A, B, C	3/4/2009	8/1/2035	3.0 - 4.25%	16,600,000	7,240,000	-	7,240,000	-
2008 Election, Series B	5/5/2010	8/1/2049	6.51 - 10.45%	29,999,991	23,051,388	-	-	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	11,060,000	-	280,000	10,780,000
2008 Election, Series C	4/11/2012	8/1/2051	5.82 - 6.98%	14,999,282	11,504,895	-	18,334	11,486,561
2012 GOB Refunding of Series C, D, E	4/11/2012	8/1/2027	2.0 - 3.5%	23,585,000	21,045,000	-	3,545,000	17,500,000
2014 GOB Refunding of Series D, E, F	8/1/2014	8/1/2034	3.0 - 5.0%	32,385,000	32,185,000	-	710,000	31,475,000
2015 GOB Refunding	11/3/2015	8/1/2051	2.0 - 5.0%	42,790,000	40,980,000	-	-	40,980,000
2008 Election, Series D	3/22/2016	8/1/2045	2.0 - 5.0%	35,000,000	31,610,000	-	-	31,610,000
2018 Refunding	8/14/2018	8/1/2033	3.125 - 4.0%	30,370,000	-	30,370,000	-	30,370,000
					\$ 227,501,325	\$ 30,370,000	\$ 38,650,459	\$ 219,220,866

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, 2019, the District has issued \$129,994,327 and the amount outstanding as of June 30, 2019 was \$114,991,325, excluding accreted interest in the amount of \$38,171,836.

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. 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.

2018 General Obligation Refunding Bonds

On August 14, 2018, the District issued 2018 General Obligation Refunding Bonds in the amount of \$30,370,000. 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 2008, Series A, Election of 2008, Series C and 2009 Refunding General Obligation Bonds that were partially or fully 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. This refunding reduced total debt service payments by \$8,128,733.80 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$5,543,036.39.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

Debt Service Requirements to Maturity – Bonds

The annual requirements to amortize debt related to the general obligation bonds payable outstanding as of June 30, 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 5,721,908	\$ 8,778,204	\$ 14,500,112
2021	5,827,792	8,662,636	14,490,428
2022	6,596,789	8,380,589	14,977,378
2023	7,356,608	8,211,080	15,567,688
2024	6,616,644	9,324,923	15,941,567
2025 - 2029	46,470,674	50,937,123	97,407,797
2030 - 2034	58,337,501	49,224,869	107,562,370
2035 - 2039	24,095,983	71,963,618	96,059,601
2040 - 2044	21,938,520	97,091,767	119,030,287
2045 - 2049	22,864,839	64,859,698	87,724,537
2050 - 2052	13,393,608	6,610,561	20,004,169
Accretion	39,191,425	(39,191,425)	-
Total	\$ 258,412,291	\$ 344,853,643	\$ 603,265,934

B. Early Retirement Incentive

The District provided a Supplementary Early Retirement Plan for eligible employees through Mutual of Omaha Bank, effective July 2018. The incentive was financed over five years. The outstanding principal balance remaining as of June 30, 2019 is as follows:

Year Ended June 30,	Payment
2020	\$ 2,488,440
2021	2,488,440
2022	2,488,440
2023	2,488,440
Total	\$ 9,953,760

C. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to \$1,605,397. This amount is included as part of long-term liabilities in the government-wide financial statements.

D. Other Postemployment Benefits

The District's beginning total OPEB liability was \$16,704,952 and increased by \$1,388,948 during the year ended June 30, 2019. The ending total OPEB liability at June 30, 2019 was \$18,093,900. See Note 10 for additional information regarding the total OPEB liability.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (continued)

E. Net Pension Liability

The District's beginning net pension liability was \$226,209,508 and increased by \$532,963 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$226,742,471. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2019:

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 290,000	\$ -	\$ -	\$ 10,000	\$ 300,000
Stores inventory	75,322	-	-	223,047	298,369
Prepaid expenditures	2,883,687	-	-	-	2,883,687
Total non-spendable	3,249,009	-	-	233,047	3,482,056
Restricted					
Educational programs	4,490,087	-	-	189,089	4,679,176
Capital projects	-	10,599,593	-	5,030,537	15,630,130
Debt service	-	-	20,093,408	-	20,093,408
All others	-	-	-	2,648,357	2,648,357
Total restricted	4,490,087	10,599,593	20,093,408	7,867,983	43,051,071
Committed					
Post employment benefit reserve	500,000	-	-	-	500,000
Total committed	500,000	-	-	-	500,000
Assigned					
High School Turf (OHS & ECHS)	2,000,000	-	-	-	2,000,000
High School Bleachers (ECHS)	894,481	-	-	-	894,481
Textbook Adoption & Training	3,334,067	-	-	-	3,334,067
SERP Liability	5,200,000	-	-	-	5,200,000
Declining Enrollment	5,456,497	-	-	-	5,456,497
Site Donation Carryover	144,572	-	-	-	144,572
Total assigned	17,029,617	-	-	-	17,029,617
Unassigned					
Remaining unassigned	11,110,314	-	-	-	11,110,314
Total unassigned	11,110,314	-	-	-	11,110,314
Total	\$ 36,379,027	\$ 10,599,593	\$ 20,093,408	\$ 8,101,030	\$ 75,173,058

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 5% of General Fund expenditures and other financing uses. If a fund balance drops below 5 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, 2019

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Oceanside Unified School District's post-employment benefit plan is a single-employer defined benefit plan (the "Plan") administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	20 years	20 years	20 years
Minimum Age	55	55	55
Dependent Coverage	No	No	No
District Contribution %	100%	100%	100%
District Cap	\$1,800 per year	\$1,800 per year	\$1,800 per year

C. Contributions

The contribution requirements of Plan members and the Oceanside Unified School District are established and may be amended by the Oceanside Unified School District and the bargaining units. For fiscal year 2018-19, the District contributed \$671,382 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	82
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	1,600
Total number of participants**	1,682

*Information not provided

**As of the June 30, 2018 valuation date

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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

E. Total OPEB Liability

The Oceanside Unified School District's total OPEB liability of \$18,093,900 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Economic assumptions:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	3.50%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table
Miscellaneous	2014 CalPERS Active Mortality for Miscellaneous Employees Table

Retirement rates:

Certificated	2009 CalSTRS Retirement Rates Table
Classified	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2%@60 adjusted to minimum retirement age of 52

Service Requirements::

Certificated	100% at 20 Years of Service
Classified	100% at 20 Years of Service
Miscellaneous	100% at 20 Years of Service

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed nineteen years.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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

G. Changes in Total OPEB Liability

	<u>June 30, 2019</u>
Total OPEB Liability	
Service Cost	\$ 1,088,112
Interest on total OPEB liability	591,966
Changes of assumptions	380,252
Benefits payments	<u>(671,382)</u>
Net change in total OPEB liability	1,388,948
Total OPEB liability - beginning	<u>16,704,952</u>
Total OPEB liability - ending	<u>\$ 18,093,900</u>
 Covered-employee payroll	 \$ 123,727,639
 District's total OPEB liability as a percentage of covered-employee payroll	 14.62%

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Oceanside Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	\$ 19,285,834	\$ 18,093,900	\$ 17,005,075

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Oceanside Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.0%)	Healthcare Cost Trend Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	\$ 17,193,605	\$ 18,093,900	\$ 18,804,573

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Oceanside Unified School District recognized OPEB expense of \$1,709,555. At June 30, 2019, the Oceanside Unified School District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in assumptions	\$ 350,775
	<u>\$ 350,775</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 29,477
2021	29,477
2022	29,477
2023	29,477
2024	29,477
Thereafter	203,390
	<u>\$ 350,775</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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	\$ 159,672,511	\$ 39,742,060	\$ 18,296,410	\$ 16,576,386
PERS Pension	67,069,960	18,088,032	1,493,900	13,391,488
Total	\$ 226,742,471	\$ 57,830,092	\$ 19,790,310	\$ 29,967,874

A. 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:

1. 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 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.
2. 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 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.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, 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 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$14,442,236 for the year ended June 30, 2019.

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 \$14,574,989 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, 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	\$ 159,672,511
State's proportionate share of the net pension liability associated with the District	91,420,428
Total	<u>\$ 251,092,939</u>

The net pension liability was measured as of June 30, 2018, 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, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District's proportion was 0.174 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2017.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 11 – PENSION PLANS (continued)

A. 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, 2019, the District recognized pension expense of \$16,576,386. In addition, the District recognized pension expense and revenue of \$3,117,408 for support provided by the State. At June 30, 2019, 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	\$ -	\$ 6,148,400
Differences between expected and actual experience	495,138	2,319,331
Changes in assumptions	24,804,686	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	9,828,679
District contributions subsequent to the measurement date	14,442,236	-
	<u>\$ 39,742,060</u>	<u>\$ 18,296,410</u>

The \$14,442,236 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, 2020. 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>
2020	\$ 5,059,965	\$ 1,499,330
2021	5,059,965	3,807,456
2022	5,059,965	8,001,577
2023	5,059,965	3,366,455
2024	5,059,964	1,259,002
2025	-	362,590
	<u>\$ 25,299,824</u>	<u>\$ 18,296,410</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 11 – PENSION PLANS (continued)

A. 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, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* 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 MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	<hr/> 100% <hr/>	

*20-year geometric average

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 233,901,543	\$ 159,672,511	\$ 98,129,440

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)

B. 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 7.0% 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 2019 was 18.062% of annual payroll. Contributions to the plan from the District were \$5,654,103 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately \$2,274,010 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability of \$67,069,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District's proportion was 0.252 percent, which was a decrease of 0.010 percent from its proportion measured as of June 30, 2017.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 11 – PENSION PLANS (continued)

B. 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, 2019, the District recognized pension expense of \$13,391,488. At June 30, 2019, 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	\$ 550,124	\$ -
Differences between expected and actual experience	4,396,861	-
Changes in assumptions	6,696,640	-
Changes in proportion and differences between District contributions and proportionate share of contributions	790,304	1,493,900
District contributions subsequent to the measurement date	5,654,103	-
	<u>\$ 18,088,032</u>	<u>\$ 1,493,900</u>

The \$5,654,103 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, 2020. 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>
2020	\$ 7,729,979	\$ 515,138
2021	5,184,999	515,138
2022	(85,173)	463,624
2023	(395,876)	-
	<u>\$ 12,433,929</u>	<u>\$ 1,493,900</u>

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 11 – PENSION PLANS (continued)

B. 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, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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 adjusted to account for assumed administrative expenses.

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	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 97,650,654	\$ 67,069,960	\$ 41,698,896

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, 2019.

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, 2019.

C. Construction Commitments

As of June 30, 2019, the District had \$852,537 in commitments with respect to unfinished capital projects.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was \$8,461,838.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2019, total deferred outflows related to pensions was \$57,830,092 and total deferred inflows related to pensions was \$19,790,310.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2019, total deferred outflows related to other postemployment benefits was \$350,775.

NOTE 15 – SUBSEQUENT EVENTS

General Obligation Bonds

On July 2, 2019, the District issued \$25,000,000 of Election 2008, Series E General Obligation Bonds to finance specific construction, acquisition and modernization projects approved by the voters and to pay costs of issuance. The bonds are current interest bonds and are scheduled to fully mature on August 1, 2048.

REQUIRED SUPPLEMENTARY INFORMATION

**OCEANSIDE UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 168,078,932	\$ 169,849,260	\$ 170,047,703	\$ 198,443
Federal sources	16,532,048	19,308,583	19,117,277	(191,306)
Other state sources	20,628,699	18,669,381	27,652,441	8,983,060
Other local sources	11,165,235	12,407,864	13,179,608	771,744
Total Revenues	216,404,914	220,235,088	229,997,029	9,761,941
EXPENDITURES				
Certificated salaries	89,625,557	90,632,039	89,889,754	742,285
Classified salaries	33,475,149	32,301,500	31,272,862	1,028,638
Employee benefits	66,330,866	63,816,483	71,902,086	(8,085,603)
Books and supplies	5,482,083	7,307,466	5,457,781	1,849,685
Services and other operating expenditures	20,950,879	25,695,416	20,486,767	5,208,649
Capital outlay	1,117,233	2,270,801	2,167,101	103,700
Other outgo				
Excluding transfers of indirect costs	1,557,173	1,524,644	1,456,462	68,182
Transfers of indirect costs	(361,548)	(372,257)	(426,515)	54,258
Total Expenditures	218,177,392	223,176,092	222,206,298	969,794
Excess (Deficiency) of Revenues				
Over Expenditures	(1,772,478)	(2,941,004)	7,790,731	10,731,735
Other Financing Sources (Uses)				
Transfers out	-	-	(17,189)	(17,189)
Net Financing Sources (Uses)	-	-	(17,189)	(17,189)
NET CHANGE IN FUND BALANCE	(1,772,478)	(2,941,004)	7,773,542	10,714,546
Fund Balance - Beginning	28,605,485	28,605,485	28,605,485	-
Fund Balance - Ending	\$ 26,833,007	\$ 25,664,481	\$ 36,379,027	\$ 10,714,546

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability		
Service Cost	\$ 1,088,112	\$ 1,058,990
Interest on total OPEB liability	591,966	603,449
Changes of assumptions	380,252	-
Benefits payments	<u>(671,382)</u>	<u>(645,560)</u>
Net change in total OPEB liability	1,388,948	1,016,879
Total OPEB liability - beginning	<u>16,704,952</u>	<u>15,688,073</u>
Total OPEB liability - ending	<u>\$ 18,093,900</u>	<u>\$ 16,704,952</u>
 Covered-employee payroll	 \$ 123,727,639	 \$ 123,237,566
 District's total OPEB liability as a percentage of covered-employee payroll	 14.62%	 13.56%

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.174%	0.177%	0.185%	0.190%	0.194%
District's proportionate share of the net pension liability	\$ 159,672,511	\$ 163,579,928	\$ 149,651,338	\$ 127,591,187	\$ 113,507,163
State's proportionate share of the net pension liability associated with the District	91,420,428	96,773,292	85,206,379	67,481,492	68,316,977
Total	<u>\$ 251,092,939</u>	<u>\$ 260,353,220</u>	<u>\$ 234,857,717</u>	<u>\$ 195,072,679</u>	<u>\$ 181,824,140</u>
District's covered payroll	\$ 93,212,643	\$ 92,888,107	\$ 93,104,876	\$ 87,020,090	\$ 86,514,376
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.3%	176.1%	160.7%	146.6%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.252%	0.262%	0.275%	0.265%	0.282%
District's proportionate share of the net pension liability	\$ 67,069,960	\$ 62,629,580	\$ 54,340,175	\$ 39,028,960	\$ 31,982,217
District's covered payroll	\$ 33,418,192	\$ 33,618,277	\$ 32,909,499	\$ 29,597,587	\$ 29,573,702
District's proportionate share of the net pension liability as a percentage of its covered payroll	200.7%	186.3%	165.1%	131.9%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 14,442,236	\$ 13,431,816	\$ 11,715,177	\$ 10,001,655	\$ 7,727,385
Contributions in relation to the contractually required contribution*	(14,442,236)	(13,431,816)	(11,715,177)	(10,001,655)	(7,727,385)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 88,910,053	\$ 93,212,643	\$ 92,888,107	\$ 93,104,876	\$ 87,020,090
Contributions as a percentage of covered payroll	16.24%	14.41%	12.61%	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, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,654,103	\$ 5,195,018	\$ 4,647,290	\$ 3,913,069	\$ 3,483,635
Contributions in relation to the contractually required contribution*	(5,654,103)	(5,195,018)	(4,647,290)	(3,913,069)	(3,483,635)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,493,974	\$ 33,418,192	\$ 33,618,277	\$ 32,909,499	\$ 29,597,587
Contributions as a percentage of covered payroll	17.95%	15.55%	13.82%	11.89%	11.77%

*Amounts do not include on-behalf contributions

**OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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 Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for OPEB.

Changes in Assumptions

The discount rate has changed since the prior measurement date from 3.80% to 3.50%.

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 payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

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 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 payroll.

OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 63,816,483	\$ 71,902,086	\$ 8,085,603

SUPPLEMENTARY INFORMATION

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 4,533,384
Title I, Migrant Education	84.011	14838	161,180
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	439,677
Title III			
Title III, English Learner Student Program	84.365	14346	233,443
Title III, Immigrant Education Program	84.365	15146	26,724
Subtotal Title III			260,167
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	606,718
Title IV, Part A			
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	1,875
Title IV, Part A, Student Support and Academic Enrichment Grant Program (SSAE)	84.424	15391	151,315
Subtotal Title IV, Part A			153,190
Title VIII, Impact Aid [1]	84.041	10015	6,590,674
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,574,973
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	204,247
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	108,750
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,057
Subtotal Special Education Cluster			3,889,027
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	136,917
Total U. S. Department of Education			16,770,934
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	1,100,183
National School Lunch Program	10.555	13391	3,911,278
Meal Supplements	10.555	*	90,176
USDA Commodities	10.555	*	474,926
Summer Food Service Program for Children	10.559	13004	157,343
Subtotal Child Nutrition Cluster			5,733,906
CACFP Claims - Centers and Family Day Care [1]	10.558	13393	824,585
Fresh Fruit and Vegetable Program	10.582	14968	21,224
Total U. S. Department of Agriculture			6,579,715
U. S. DEPARTMENT OF DEFENSE			
<i>Passed through California Department of Defense:</i>			
Promoting K-12 Student Achievement at Military-Connected Schools	12.556	*	228,581
Total U. S. Department of Defense			228,581
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	594,678
Medi-Cal Administrative Activities	93.778	10060	1,297,918
Subtotal Medicaid Cluster			1,892,596
Total U. S. Department of Health & Human Services			1,892,596
Total Federal Expenditures			\$ 25,471,826

[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, 2019**

	Second Period Report	Annual Report
	Certificate No. 925442B7	Certificate No. DE965A4E
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	5,449.78	5,417.95
Extended Year Special Education	7.30	7.30
Special Education - Nonpublic Schools	0.86	1.00
Extended Year Special Education - Nonpublic Schools	0.13	0.13
Total TK/K through Third	<u>5,458.07</u>	<u>5,426.38</u>
Fourth through Sixth		
Regular ADA	3,803.90	3,792.91
Extended Year Special Education	5.26	5.26
Special Education - Nonpublic Schools	-	0.11
Extended Year Special Education - Nonpublic Schools	0.17	0.17
Total Fourth through Sixth	<u>3,809.33</u>	<u>3,798.45</u>
Seventh through Eighth		
Regular ADA	2,514.23	2,504.45
Extended Year Special Education	1.99	1.99
Special Education - Nonpublic Schools	4.18	4.78
Extended Year Special Education - Nonpublic Schools	0.55	0.55
Total Seventh through Eighth	<u>2,520.95</u>	<u>2,511.77</u>
Ninth through Twelfth		
Regular ADA	4,914.03	4,844.04
Extended Year Special Education	3.75	3.75
Special Education - Nonpublic Schools	6.86	6.87
Extended Year Special Education - Nonpublic Schools	1.94	1.94
Total Ninth through Twelfth	<u>4,926.58</u>	<u>4,856.60</u>
TOTAL SCHOOL DISTRICT	<u>16,714.93</u>	<u>16,593.20</u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Days	Status
Kindergarten	36,000	36,675	180	Complied
Grade 1	50,400	54,225	180	Complied
Grade 2	50,400	54,225	180	Complied
Grade 3	50,400	54,225	180	Complied
Grade 4	54,000	54,225	180	Complied
Grade 5	54,000	54,225	180	Complied
Grade 6	54,000	59,562	180	Complied
Grade 7	54,000	59,562	180	Complied
Grade 8	54,000	59,562	180	Complied
Grade 9	64,800	65,202	180	Complied
Grade 10	64,800	65,202	180	Complied
Grade 11	64,800	65,202	180	Complied
Grade 12	64,800	65,202	180	Complied

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

	2020 (Budget)	2019	2018	2017
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 214,130,853	\$ 229,997,029	\$ 213,650,074	\$ 217,181,670
Expenditures And Other Financing Uses	222,228,033	222,223,487	212,725,706	210,468,781
Net change in Fund Balance	<u>\$ (8,097,180)</u>	<u>\$ 7,773,542</u>	<u>\$ 924,368</u>	<u>\$ 6,712,889</u>
Ending Fund Balance	<u>\$ 28,281,847</u>	<u>\$ 36,379,027</u>	<u>\$ 28,605,486</u>	<u>\$ 27,681,118</u>
Available Reserves*	<u>\$ 11,472,177</u>	<u>\$ 11,110,314</u>	<u>\$ 10,636,285</u>	<u>\$ 12,816,520</u>
Available Reserves As A Percentage Of Outgo	<u>5.16%</u>	<u>5.00%</u>	<u>5.00%</u>	<u>6.09%</u>
Long-term Liabilities	<u>\$ 519,074,412</u>	<u>\$ 528,026,730</u>	<u>\$ 522,817,551</u>	<u>\$ 490,092,582</u>
Average Daily Attendance At P-2	<u>16,323</u>	<u>16,715</u>	<u>17,041</u>	<u>17,430</u>

The General Fund balance has increased by \$8,697,909 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$8,097,180. 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). However, the District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 5% of General Fund expenditures and other financing uses. If a fund balance drops below 5 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.

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by \$37,934,148 over the past two years.

Average daily attendance has decreased by 715 ADA over the past two years. A further decrease of 392 ADA is anticipated during the 2019-20 fiscal year.

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

**OCEANSIDE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	Cafeteria Fund
June 30, 2019, annual financial and budget report fund balance	<u>\$ 2,373,512</u>
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Cash in banks	291,924
Accounts receivable	<u>215,968</u>
Net adjustments and reclassifications	<u>507,892</u>
June 30, 2019, audited financial statement fund balance	<u><u>\$ 2,881,404</u></u>

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

Charter #	Charter School	Status	Included in Audit Report
0516	Coastal Academy Charter	Active	No
0247	Pacific View Charter	Active	No

**OCEANSIDE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Child Development Fund	Cafeteria Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	\$ 185,361	\$ 1,724,262	\$ 4,984,608	\$ 638	\$ 6,894,869
Accounts receivable	93,979	2,027,704	55,951	7	2,177,641
Due from other funds	17,341	43,442	645	-	61,428
Stores inventory	-	223,047	-	-	223,047
Total Assets	\$ 296,681	\$ 4,018,455	\$ 5,041,204	\$ 645	\$ 9,356,985
LIABILITIES					
Accrued liabilities	\$ 10,772	\$ 153,388	\$ 1,964	\$ -	\$ 166,124
Due to other funds	96,820	983,663	8,703	645	1,089,831
Total Liabilities	107,592	1,137,051	10,667	645	1,255,955
FUND BALANCES					
Non-spendable	-	233,047	-	-	233,047
Restricted	189,089	2,648,357	5,030,537	-	7,867,983
Total Fund Balances	189,089	2,881,404	5,030,537	-	8,101,030
Total Liabilities and Fund Balance	\$ 296,681	\$ 4,018,455	\$ 5,041,204	\$ 645	\$ 9,356,985

**OCEANSIDE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Child Development Fund	Cafeteria Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 6,579,714	\$ -	\$ -	\$ 6,579,714
Other state sources	871,891	558,470	2,685	667,105	2,100,151
Other local sources	37,869	1,283,376	122,785	645	1,444,675
Total Revenues	909,760	8,421,560	125,470	667,750	10,124,540
EXPENDITURES					
Current					
Instruction	686,017	-	-	-	686,017
Instruction-related services					
Instructional supervision and administration	72,835	-	-	-	72,835
Pupil services					
Food services	15,580	7,725,730	-	-	7,741,310
All other pupil services	427	-	-	-	427
General administration					
All other general administration	42,859	383,656	-	-	426,515
Plant services	46,080	-	-	-	46,080
Facilities acquisition and maintenance	-	-	1,778,802	-	1,778,802
Total Expenditures	863,798	8,109,386	1,778,802	-	10,751,986
Excess (Deficiency) of Revenues					
Over Expenditures	45,962	312,174	(1,653,332)	667,750	(627,446)
Other Financing Sources (Uses)					
Transfers in	17,189	-	667,750	-	684,939
Transfers out	-	-	-	(667,750)	(667,750)
Net Financing Sources (Uses)	17,189	-	667,750	(667,750)	17,189
NET CHANGE IN FUND BALANCE	63,151	312,174	(985,582)	-	(610,257)
Fund Balance - Beginning	125,938	2,569,230	6,016,119	-	8,711,287
Fund Balance - Ending	\$ 189,089	\$ 2,881,404	\$ 5,030,537	\$ -	\$ 8,101,030

**OCEANSIDE UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019**

The Oceanside Unified School District was established in 1970. The District boundaries encompass the city of Oceanside, as well as part of Marine Corps Base-Camp Pendleton. There were no changes in the boundaries of the District during the current year. The District provides primary and secondary education for all students within the District's boundaries through operation of its twenty-three schools, which consist of sixteen elementary, four middle schools and three high schools.

GOVERNING BOARD

Member	Office	Term Expires
Eleanor Evans	President	December 2020
Mike Blessing	Vice President	December 2020
Eric Joyce	Clerk	December 2022
Stacy Begin	Member	December 2022
Raquel Alvarez	Member	December 2022

DISTRICT ADMINISTRATORS

Julie Vitale, Ed. D.
Superintendent

Shannon Soto, Ed. D.
Deputy Superintendent of Administrative Services

Mercedes Lovie, Ed. D.
Associate Superintendent of Education Services

Todd McAteer, Ed. D.
Associate Superintendent of Human Resources

Timothy Golden
Director of Fiscal Services

**OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 25,696,991
Medi-Cal Billing Option	93.778	179,973
Department of Defense Impact Aid	12.558	(47,783)
E-Rate Federal Communication Commission	84.Unknown	(357,355)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 25,471,826</u>

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

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, 2019, the District participated in the Longer Day incentive funding program. As of June 30, 2019, the District had met its target funding.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2019**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

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**

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, 2019, 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 12, 2019. Our opinion on the financial statements was qualified, because we were unable to obtain sufficient appropriate audit evidence supporting the amounts at which capital assets and related accumulated depreciation were reported.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding #2019-001 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as Findings #2019-002 through #2019-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oceanside Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Oceanside Unified School District's Response to Findings

Oceanside Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Oceanside Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Inc.

San Diego, California
December 12, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

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, 2019. 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.

Basis for Qualified Opinion on Child & Adult Care Food Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA 10.558 Child & Adult Care Food Program as described in Finding #2019-006 for Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Child & Adult Care Food Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child & Adult Care Food Program for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2019-006 to be a material weakness.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, Inc.

San Diego, California
December 12, 2019

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 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, 2019, 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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.

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, 2019.

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 Findings #2019-007 and #2019-008. 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 no opinion on the response.

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:

PROGRAM NAME	PROCEDURES PERFORMED
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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes

(continued on the next page)

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After/Before 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
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, Inc.

San Diego, California
December 12, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Qualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.558</u>	<u>CACFP Claims - Centers and Family Day Care</u>
<u>84.041</u>	<u>Title VIII, Impact Aid</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 764,155</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, 2019**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2019-001: CAPITAL ASSETS (30000) (Material Weakness)

Criteria: District fixed asset policies require the capitalization and annual depreciation of capital assets with a current value of \$5,000. The District must maintain current, auditable asset listings to support the amounts reported in the government-wide statement of net position. Asset balances should be valued and reported in accordance with generally accepted accounting principles. Physical inventory counts should be performed approximately every two years (or as deemed necessary) to verify accuracy of asset listing and valuations. This inventory should include a current detail of assets reported by category and the related accumulated depreciation balance. Strong internal controls and prudent accounting practices require the establishment and adherence to sound policies and procedures for capital assets.

Condition: During our audit of the financial statements of the District, we determined that a detailed listing of capital assets had not yet been fully integrated into the PeopleSoft Fixed Asset tracking software. As a result, the District continues to rely on a manually prepared spreadsheet for fixed asset reporting purposes. During the course of our audit, we noted that the fixed asset spreadsheet had not been properly rolled forward to reflect current year additions, depreciation, and construction-in-progress activity. As a result, the fixed asset spreadsheet could not be confirmed as materially accurate for financial reporting purposes.

Cause: Based on inquiry with Business Office staff, there have been several contributing factors including recent staff turnover and the difficulties encountered during the process of integrating of fixed assets reporting into PeopleSoft.

Effect: Without completing regular updates of capital assets inventory and construction in progress listings, the District cannot provide sufficient supporting documentation to confirm that the balances for each respective capital asset category and the related accumulated depreciation are materially stated.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District implement procedures that ensure the capital asset inventory listing is updated and verified by performing annual physical inventories. This listing should include adequate estimates of the annual depreciation associated with each asset and appropriate tracking of construction work-in-progress balances. This process may require the assistance of an outside consulting firm. It may not be necessary to conduct the inventory each year for all sites within the District, however, the procedures should ensure that during a two-year cycle, all District sites have performed a physical inventory.

Corrective Action Plan: The District will move forward to implement procedures to ensure the capital asset inventory is updated and verified annually.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-002: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Proper internal controls should be in place to ensure Associated Student Body (ASB) funds are properly collected, deposited and expended as part of the District's fiduciary duty. In addition, adequate internal controls will ensure that fiduciary fund assets are safeguarded.

Condition: During our evaluation of internal controls over ASB activities, we noted a lack of proper internal controls and audit documentation relating to cash disbursements and receipts. The deficiencies in internal controls noted include the following:

Martin Luther King Jr. Middle School

- Deposits of proceeds from ASB activities do not appear to be made in a timely manner. From the cash receipts selected and reviewed from the month of August 2018, it was noted that proceeds are deposited three to four weeks after initial receipt. We recommend depositing proceeds from ASB activities no later than two weeks from the date of receipt.
 - We noted that this was the case in ten (10) of the ten (10) cash receipts selected for testing.

Cause: Lack of adequate oversight and/or noncompliance with District accounting policies.

Effect: A lack of proper internal controls can lead to accounting irregularities to go undetected and increase the potential for the misappropriation of fiduciary fund assets.

Repeat Finding: This is not a repeat finding.

Recommendation: Recommendations related to each deficiency are included above. In addition, training and instruction on the use of standardized formats should continue to be provided annually with compliance follow-up by the district office. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented. Proper controls over cash receipting and cash disbursements are integral for proper safeguarding of assets.

Corrective Action Plan: The District will develop procedures for ASB deposits and will distribute the procedures to all school sites.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-003: INTERFUND BORROWING (30000)

Criteria: Per California Education Code Section 42603, interfund borrowings shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year. Borrowing shall occur only when the fund or account receiving the money will earn sufficient income, during the current fiscal year, to repay the amount transferred.

Condition: During the year ended June 30, 2018, the Child Development Fund borrowed \$40,545 from the General Fund, the Cafeteria Fund borrowed \$231,955 from the General Fund, and the Building Fund borrowed \$1,585 from the General Fund. As of June 30, 2019, this borrowing had not yet been repaid and the cumulative balance had increased.

Cause: Based on inquiry with management, the cause is attributed to cash flow limitations in the above-mentioned funds.

Effect: The District is not in compliance with section of California Education Code outlined above.

Repeat Finding: This is not a repeat finding.

Recommendation: If necessary, we recommend an annual contribution to the funds by the General Fund to support program activities.

Corrective Action Plan: Actions have already been taken to clear pre-existing balances. The District will work diligently to ensure that interfund borrowing is repaid in a timely manner.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-004: BANK ACCOUNTS AND RECONCILIATIONS (30000)

Criteria: The governing board of any school district or any county office of education may authorize any school district governed by it, or any school under its jurisdiction to deposit in one or more bank accounts as clearing accounts any miscellaneous receipts, including receipts from the sale of property or materials pursuant to Section 39526 or 39527, received or collected by the school district or county office of education, and may provide for the withdrawals from those accounts. All moneys in those bank accounts shall be paid into the county treasury within the time periods specified pursuant to Section 41001. Per Education Code 41001, all deposits and payments shall be made daily, unless the county superintendent of schools authorizes them to be made weekly or otherwise, but in no event less frequent than monthly.

Condition: In our testing of cash in banks, we noted that the reconciled balance of the Cafeteria Fund Clearing Account was not recorded to the unaudited actuals. We also noted that a balance of \$224,179 was carried over from the prior period indicating that the account is not being properly reconciled and cleared on a monthly basis.

Cause: Inadequate controls and monitoring over the cash receipting cycle.

Effect: Without a timely clearing of the account the financial position of the District is not accurately represented.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that all clearing accounts are reconciled and cleared in a timely manner.

Corrective Action Plan: Due to turnover in staffing in our Nutrition Services Department, reconciliations were not completed in a consistent and timely fashion. Staff will be trained on the importance of doing reconciliations monthly and transferring balances in the clearing account regularly.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-005: JOURNAL ENTRIES (30000)

Criteria: Proper internal accounting controls include segregation of duties that require journal entries to be reviewed by someone other than the person creating the entry, knowledgeable about accounting principles prior to entry to the general ledger.

Condition: During our documentation of the journal entry process, we noted that the Director of Fiscal Services has the ability to create and post journal entries without any additional approval.

Cause: Due to recent turnover, the individual who performed the secondary review of journal entries for the Director of Fiscal Services was never replaced.

Effect: Without a review and approval for each journal entry, there is an increased risk that an inappropriate entry may be recorded to the District's general ledger either by mistake or intentionally.

Repeat Finding: This is not a repeat finding.

Recommendation: The review of each entry by a second knowledgeable person should be documented and all supporting documentation should be retained.

Corrective Action Plan: The District will look to add proper oversight for financial entries.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

FINDING #2019-006: CHILD AND ADULT CARE FOOD PROGRAM (CACFP) – ACTIVITIES ALLOWED OR UNALLOWED (50000) (Material Weakness)

CFDA Number and Title: 10.558 - Child & Adult Care Food Program (CACFP)

Federal Grantor Name: U.S. Department of Agriculture; Passed through California Department of Education

Criteria: In accordance with 7 CFR Section 226.15(e)(13), CACFP reimbursement payments shall be used solely for the conduct of the CACFP food service operations, principally for the benefit of enrolled participants. School food authorities (SFAs) participating in both the School Nutrition Program (SNP) and the Child and Adult Care Food Program (CACFP) are required to track their respective revenues and expenditures separately.

Condition: During our compliance procedures related to activities allowed or unallowed, we noted that the District does not separately track the expenditures of CACFP reimbursement payments received. Instead, these expenditures appear to be commingled with the expenditures of the SNP.

Cause: Lack of adequate accounting and recordkeeping procedures in relation to program expenditures.

Effect: The District could not provide a complete detail of program expenditures in relation to the current year CACFP meal reimbursements. As a result, we were not able to confirm compliance with the requirements outlined above.

Context: The monthly reimbursement payments reported for 2018-19 fiscal year totaled \$824,585. Of this amount, only \$9,798 in program expenditures were recorded to the appropriate Standardized Account Code Structure (SACS) resource code.

Questioned Costs: \$814,787, the net amount of 2018-19 reimbursement payments that could not be confirmed as being used for allowable cost activities.

Repeat Finding: This is not a repeat finding.

Recommendation: Program financial activities should be tracked using the appropriate SACS resource code within the Cafeteria Fund. The California School Accounting Manual (CSAM) Procedure 310 provides additional guidance in this area.

Views of Responsible Officials: See Corrective Action Plan beginning on page 91.



Board of Education

Raquel Alvarez

Stacy Begin

Mike Blessing

Eleanor Evans

Eric Joyce

Julie A. Vitale, Ph.D., Superintendent

December 16, 2019

Christy White, Inc.
348 Olive Street
San Diego, CA 92103

Response to audit finding #2019-006:

The Director of Nutrition Services, Naomi Shadwell, is developing a unit cost per meal formula with an anticipated implementation date of June 30, 2020. This formula will be applied and charged to the Child and Adult Care Food Program (CACFP) to account for their appropriate expenditures.

Sincerely,

Shannon Soto, Ed.D
Deputy Superintendent of Administrative Services

**OCEANSIDE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2019-007: 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. In addition, students classified as English learners (EL) must have supporting documentation to indicate that the student is appropriately classified as EL. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: One (1) out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as only FRPM and non-EL did not have appropriate supporting documentation on file to justify the FRPM designation. Additionally, one (1) out of 15 students tested from the report who were classified as only EL and non-FRPM did not have appropriate documentation on file to justify the EL designation. Auditors extrapolated each respective error rate across the respective populations to determine a total adjustment of 31 unduplicated pupil counts. This amount is comprised of 21 pupil counts resulting from the FRPM error rate, and 10 pupil counts resulting from the EL error rate.

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

Cause: Misclassification of students in the student information system from which CALPADS reporting is derived.

(continued on the following page)

**OCEANSIDE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

**FINDING #2019-007: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)**

Questioned Costs: \$14,127, as calculated below.

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				54,185
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				34,425
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(31)
5	Revised Adjusted Enrollment				54,185
6	Revised Adjusted Unduplicated Pupil Count				34,394
7	UPP calculated as of P-2				0.6353
8	Revised UPP for audit finding				0.6348
9	Charter Schools Only: Determinative School District Concentration Cap				-
10	Revised UPP adjusted for Concentration Cap				0.6348
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	5,671.08	3,943.97	2,553.65	4,833.31
10	Adjusted Base Grant per ADA	\$8,235	\$7,571	\$7,796	\$9,269
11	Target Supplemental Grant Funding calculated as of P-2				\$17,949,684
12	Revised Target Supplemental Grant Funding for audit finding				\$17,935,557
13	Target Supplemental Grant Funding audit adjustment				(\$14,127)
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				\$0
15	Revised Target Concentration Grant Funding for audit finding				\$0
16	Target Concentration Grant Funding audit adjustment				\$0
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$14,127)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				1.0000000000
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$14,127)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District ensure that there are proper controls over FRPM and EL designations in the student information system in order to strengthen the accuracy of CALPADS reporting. This includes performing periodic reviews of system data for errors or irregularities.

Corrective Action Plan: The district has hired a Coordinator of English Language to assist in the verification of EL students and will review procedures with our Nutrition Services staff regarding proper documentation.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-008: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000)

Criteria: Per California Education Code Section 8483(a)(4), it is the intent of the legislature that that pupils in elementary school participate in the full day of the program every day during which pupils participate to accomplish program goals. In addition, every program shall establish a policy regarding reasonable early release of pupils to the program.

Condition: Through site attendance testing performed at the Before School Education Safety program at San Luis Rey Elementary, we noted that none of the late arriving students had a reason code for the late arrival. Additionally, there was no Late Arrival Form maintained for any of the students.

Cause: The site was unaware of the requirement to maintain a Late Arrival Form for each student enrolled in the program.

Effect: The District may not be accurately reporting the number pupils served.

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

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the before school program utilize the late arrival codes on the sign in sheets, as well as maintain the County provided ASES Before School Late Arrival Form for each student in the program.

Corrective Action Plan: The District has confirmed with Student Services that a Late-Arrival form has been implemented in the current fiscal year.

**OCEANSIDE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings for the year ended June 30, 2018.