Financial Statements
June 30, 2022

# Ocean View School District

Independent Auditor's Report ..... 1

Management's Discussion and Analysis ..... 5

Government Wide Financial Statements

Statement of Net Position ..... 15
Statement of Activities ..... 16

Government Fund Financial Statements

Balance Sheet – Governmental Funds ..... 17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ..... 18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ..... 20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 21

Notes to Financial Statements ..... 23

Required Supplementary Information

Budgetary Comparison Schedule – General Fund ..... 66
Schedule of Changes in the District's Total OPEB Liability and Related Ratios ..... 67
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program ..... 68
Schedule of the District's Proportionate Share of the Net Pension Liability ..... 69
Schedule of the District's Contributions ..... 70
Notes to Required Supplementary Information ..... 71

Supplementary Information

Schedule of Expenditures of Federal Awards ..... 73
Local Education Agency Organization Structure ..... 75
Schedule of Average Daily Attendance ..... 76
Schedule of Instructional Time ..... 77
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements ..... 78
Schedule of Financial Trends and Analysis ..... 79
Combining Balance Sheet – Non-Major Governmental Funds ..... 80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds ..... 82
Notes to Supplementary Information ..... 84

Independent Auditor's Reports

Independent Auditor's 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* ..... 86

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance ..... 88

Independent Auditor's Report on State Compliance ..... 91

Schedule of Findings and Questioned Costs

Summary of Auditor's Results ..... 97

Financial Statement Findings ..... 99
Federal Awards Findings and Questioned Costs ..... 100
State Compliance Findings and Questioned Costs ..... 101
Summary Schedule of Prior Audit Findings ..... 105
Management Letter ..... 106

EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's Report**

To the Governing Board
Ocean View School District
Huntington Beach, California

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean View School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean View School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ocean View School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Adoption of New Accounting Standard***

As discussed in Notes 1 and 17 to the financial statements, the Ocean View School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and fund balance as of July 1, 2021, to restate the beginning net position and fund balance. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ocean View School District ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ocean View School District internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ocean View School District ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 an 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 Ocean View School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards and other supplementary information listed in the table of contents are 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 15, 2022 on our consideration of Ocean View 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 Ocean View 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 Ocean View School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

# Ocean View School District

"Equity and Excellence"

17200 Pinehurst Lane,
Huntington Beach, CA 92647
Tel: 714 847-2551
Fax: 714 847-1430
Web: www.ovsd.org

Superintendent
Michael Conroy, Ed. D.

Board of Trustees
Gina Clayton-Tarvin, President
Patricia Singer, Vice President
Jack C. Souders, Clerk
John Briscoe, Member
Norm Westwell, Member


This section of Ocean View School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets) deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for the following:

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Primary unit of the government is the Ocean View School District.

## REPORTING THE DISTRICT AS A WHOLE

### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's *financial health*, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

**Governmental Activities** – The District reports all of its services in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

***Governmental Funds*** - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

**FINANCIAL HIGHLIGHTS**

The District's financial status remains positive. The ending balance of the General Fund increased $2,101,434 between July 1, 2021 and June 30, 2022. The General Fund has consistently maintained a reserve for emergencies above the State mandated three (3) percent reserve.

In November 2016, the Ocean View School District community approved the General Obligation Bond Measure R. The voter ballot's language stated "Ocean View School Student Success Measure. To repair/modernize aging classrooms/school facilities including improving student safety/campus security, disabled access, deteriorating roofs, plumbing, ventilation/electrical systems, and acquire, renovate, construct, and equip classrooms, sites, facilities, labs/instructional technology to support student achievement in reading, math, arts, science, and technology." The taxpayers of the Ocean View School District approved a total of $169,000,000 to improve school facilities

Series A and B were issued for a principal amount of $87,000,000. In 2021-22, the District sold series C for a principal amount of $55,000,000. The remaining unsold series D has a principal amount of $27,000,000. The construction of Vista View Middle School is nearly complete, while construction is beginning for Star View Elementary School, and the District is in the planning phase for Mesa View Middle School. The bond expenditures for 2021-2022 were $33,661,334 and had ending balance of $42,524,292. The District anticipates selling the remaining series D by the end of 2022-23 with the current construction commitment of Star View Elementary School, and the planned project expenditures for Mesa View Middle School.

## THE DISTRICT AS A WHOLE

### Net Position

The District's net position (deficit) was $2,101,434 and $(9,259,206) for the fiscal years ended June 30, 2022 and June 30, 2021. Of this amount, $(91,341,482) and $(104,724,724) were unrestricted (deficit) for the fiscal years ended June 30, 2022 and June 30, 2021, respectively. 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 net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 as restated |
| Assets | | |
| Current and other assets | $ 98,767,272 | $ 64,186,373 |
| Lease receivables | 45,137,508 | 37,655,341 |
| Capital assets | 184,912,254 | 161,419,248 |
| Total assets | 328,817,034 | 263,260,962 |
| Deferred outflows of resources | 17,880,223 | 23,200,742 |
| Liabilities | | |
| Current liabilities | 15,343,759 | 14,804,244 |
| Long-term liabilities | 232,753,291 | 233,148,150 |
| Total liabilities | 248,097,050 | 247,952,394 |
| Deferred inflows of resources | 96,498,773 | 47,768,516 |
| Net Position | | |
| Net investment in capital assets | 73,475,490 | 79,396,463 |
| Restricted | 19,967,426 | 16,069,055 |
| Unrestricted (deficit) | (91,341,482) | (104,724,724) |
| Total net position (deficit) | $ 2,101,434 | $ (9,259,206) |

The $(91,341,482) in unrestricted deficit net position represents the accumulated results of all past years' operations. Unrestricted deficit – the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased by 12.8% or $13,383,242.

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021* |
| Revenues | | |
| Program revenues | | |
| Charges for services and sales | $ 469,718 | $ 156,960 |
| Operating grants and contributions | 27,452,944 | 30,753,296 |
| Capital grants and contributions | (21,659) | 8,577 |
| General revenues | | |
| Federal and State aid not restricted | 26,016,404 | 22,839,369 |
| Property taxes | 56,061,438 | 53,810,700 |
| Other general revenues | 6,435,032 | 6,235,985 |
| Total revenues | 116,413,877 | 113,804,887 |
| Expenses | | |
| Instruction-related | 69,999,624 | 83,452,950 |
| Pupil services | 8,080,212 | 8,392,480 |
| Administration | 6,963,752 | 7,132,590 |
| Plant services | 13,242,724 | 12,909,533 |
| All other services | 6,766,925 | 5,488,820 |
| Total expenses | 105,053,237 | 117,376,373 |
| Change in net position | $ 11,360,640 | $ (3,571,486) |

*The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

**Governmental Activities**

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $105,053,237. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $56,061,438 because the cost was paid by those who benefited from the programs $469,718 or by other governments and organizations who subsidized certain programs with grants and contributions ($27,431,285). We paid for the remaining "public benefit" portion of our governmental activities with $26,016,404 Federal and State funds, and with other revenues, like interest and general entitlements of $6,435,032.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, 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.

**Table 3**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2022 | 2021* | 2022 | 2021* |
| Instruction-related | $ 69,999,624 | $ 83,452,950 | $ (49,274,702) | $ (58,554,800) |
| Pupil services | 8,080,212 | 8,392,480 | (2,560,194) | (4,417,647) |
| Administration | 6,963,752 | 7,132,590 | (6,314,570) | (6,100,269) |
| Plant services | 13,242,724 | 12,909,533 | (13,051,517) | (12,434,244) |
| All other services | 6,766,925 | 5,488,820 | (5,951,251) | (4,950,580) |
| Total | $ 105,053,237 | $ 117,376,373 | $ (77,152,234) | $ (86,457,540) |

*The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of $85,267,768, which is an increase of $34,686,269 from last year (Table 4).

**Table 4**

| | Balances and Activity | | | |
|---|---|---|---|---|
| Governmental Fund | June 30, 2021 as restated | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2022 |
| General | $ 19,887,671 | $ 106,042,025 | $ 99,985,694 | $ 25,944,002 |
| Building | 16,903,569 | 54,440,159 | 28,819,435 | 42,524,293 |
| Special Reserve Fund for Capital Outlay Projects | 1,345,095 | 2,377,374 | 2,217,009 | 1,505,460 |
| Student Activity | 245,402 | 198,907 | 138,894 | 305,415 |
| Child Development | 356,842 | 2,680,612 | 2,562,557 | 474,897 |
| Cafeteria | 875,108 | 4,050,845 | 3,037,583 | 1,888,370 |
| Capital Facilities | 2,398,934 | 900,196 | 4,003 | 3,295,127 |
| County School Facilities | 4,247,039 | (21,659) | 2,621,290 | 1,604,090 |
| Bond Interest and Redemption | 4,321,839 | 9,972,015 | 6,567,740 | 7,726,114 |
| Total | $ 50,581,499 | $ 180,640,474 | $ 145,954,205 | $ 85,267,768 |

The primary reasons for these changes are the following:

Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $19,887,671 million to $25,944,002 million. This increase is due to:

- Increase in State and Federal revenue for COVID-19
- Increase in State revenue for one-time programs like Educator Effectiveness
- Increase in State revenue in ongoing funding for Expanded Learning Opportunities Program
- Carry over for categorical programs such as Title I and the Expanded Learning Opportunities Grant

Our Building Fund is our General Obligation Bond. This decrease is due to expending series B and series C, with the timing of the next sale of series D planned in the following fiscal year.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 22, 2021. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report. The primary changes in the General Fund were as follows:

- The District continued to receive additional COVID-19 funding for multiyear planning.
- The District participated the in State funded Classified School Employee Summer Assistance Program.
- Significant contribution reductions due to one-time funding for Special Education.
- Budgeted expenditures were understated due to the timing of increased State one-time revenues.
- Budget adoption does not include PTA/PTO and community business related revenue and expenses which are included in subsequent budget reports.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2022, the District had $184,912,254 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $23,493,006, or 14.6%, from last year (Table 5).

Table 5

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 |
| Land and construction in progress | $ 81,830,708 | $ 72,356,904 |
| Buildings and improvements | 99,986,853 | 85,633,750 |
| Equipment | 3,094,693 | 3,428,594 |
| Total | $ 184,912,254 | $ 161,419,248 |

This year's addition of $9,473,804 included the continued Marine View Middle School Modernization, Park View Demolition, Vista View Modernization, and other modernization projects. No debt was issued for these additions.

This year's addition of equipment included SEHI ViewSonic video boards, site and central office HVAC equipment replacement, printer/copiers, and other items.

We present more detailed information about our capital assets in Note 5 to the financial statements.

**Long-Term Liabilities Other Than Other Postemployment Benefits (OEPB) and Pensions**

At the end of this year, the District had $155,588,247 in long-term liabilities other than OPEB and pension versus $101,019,040 last year, an increase of $54,569,207, or 54%. Those long-term liabilities consisted of:

**Table 6**

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 |
| Long-Term Liabilities | | |
| General obligation bonds | $ 129,630,000 | $ 77,480,000 |
| Premium on issuance of general obligation bonds | 7,988,277 | 3,401,322 |
| Certificates of participation | 16,310,000 | 17,990,000 |
| Premium on issuance of certificates of participation | 60,411 | 86,116 |
| Discount on issuance of certificates of participation | (27,631) | (31,084) |
| Supplemental early retirement plan (SERP) | 647,300 | 1,294,600 |
| Compensated absences | 979,890 | 798,086 |
| Total | $ 155,588,247 | $ 101,019,040 |

We present more detailed information regarding our long-term liabilities in Note 10 of the financial statements.

At yearend, the District had a net OPEB liability of $19,718,042, versus $23,404,508 last year, a decrease of $(3,686,466), or (15.8) %.

We present more detailed information regarding our OPEB liability in Note 11 of the financial statements.

At year-end, the District has an aggregate net pension liability of $57,447,002 versus $108,724,602 last year, a decrease of $(51,277,600), or (47.2) %.

We present more detailed information regarding our pension liability in Note 14 of the financial statements.

**SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2021-2022 ARE NOTED BELOW:**

- Returned students to Marine View Middle School for a grand reopening of their modernized site.
- Continued full time in person instruction.
- Continued to provide a distance learning option.
- The District provided a technology overhaul that included: infrastructure, devices, programs, and professional development.
- The District participated the in State funded Classified School Employee Summer Assistance Program.
- Continued a summer school enrichment program for all students.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2022-2023 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are provided from the Governor's Budget Workshops, School Services of California's dartboard assumptions, and reviewed by the Orange County Department of Education. The financials use the State provided SACS software and LCFF calculator.

**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 Assistant Superintendent, Administrative Services, at Ocean View School District, 17200 Pinehurst Lane, Huntington Beach, California 92647.

| | Governmental Activities |
|---|---|
| Assets | |
| Deposits and investments | $ 87,489,600 |
| Receivables | 11,169,316 |
| Stores inventories | 108,356 |
| Lease receivables | 45,137,508 |
| Capital assets not depreciated | 81,830,708 |
| Capital assets, net of accumulated depreciation | 103,081,546 |
| Total assets | 328,817,034 |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to OPEB | 903,234 |
| Deferred outflows of resources related to pensions | 16,976,989 |
| Total deferred outflows of resources | 17,880,223 |
| Liabilities | |
| Accounts payable | 12,719,169 |
| Interest payable | 1,844,255 |
| Unearned revenue | 780,335 |
| Long-term liabilities | |
| Long-term liabilities other than OPEB and pensions due within one year | 5,057,300 |
| Long-term liabilities other than OPEB and pensions due in more than one year | 150,530,947 |
| Net other postemployment benefits (OPEB) liability | 19,718,042 |
| Aggregate net pension liability | 57,447,002 |
| Total liabilities | 248,097,050 |
| Deferred Inflows of Resources | |
| Deferred inflows of resources related to OPEB | 6,287,080 |
| Deferred inflows of resources related to pensions | 45,074,185 |
| Deferred inflows of resources related to leases | 45,137,508 |
| Total deferred inflows of resources | 96,498,773 |
| Net Position | |
| Net investment in capital assets | 73,475,490 |
| Restricted for | |
| Debt service | 5,881,859 |
| Capital projects | 5,453,246 |
| Educational programs | 6,234,450 |
| Other activities | 2,397,871 |
| Unrestricted (deficit) | (91,341,482) |
| Total net position | $ 2,101,434 |

| Functions/Programs | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Instruction | $ 61,085,411 | $ 1,489 | $17,897,203 | $ (21,659) | (43,208,378) |
| Instruction-related activities | | | | | |
| Supervision of instruction | 2,828,085 | 961 | 2,505,879 | - | (321,245) |
| Instructional library, media, and technology | 762,916 | 7 | 17,863 | - | (745,046) |
| School site administration | 5,323,212 | 500 | 322,679 | - | (5,000,033) |
| Pupil services | | | | | |
| Home-to-school transportation | 2,029,979 | - | 387,674 | - | (1,642,305) |
| Food services | 3,138,639 | 394,698 | 3,698,571 | - | 954,630 |
| All other pupil services | 2,911,594 | 3,130 | 1,035,945 | - | (1,872,519) |
| Administration | | | | | |
| Data processing | 1,414,249 | - | 14,432 | - | (1,399,817) |
| All other administration | 5,549,503 | 11,425 | 623,325 | - | (4,914,753) |
| Plant services | 13,242,724 | - | 191,207 | - | (13,051,517) |
| Ancillary services | 374,610 | - | 306,116 | - | (68,494) |
| Community services | 1,393,172 | - | 62,707 | - | (1,330,465) |
| Interest on long-term liabilities | 4,848,651 | - | - | - | (4,848,651) |
| Other outgo | 150,492 | 57,508 | 389,343 | - | 296,359 |
| Total governmental activities | $ 105,053,237 | $ 469,718 | $27,452,944 | $ (21,659) | (77,152,234) |
| General Revenues and Subventions | | | | | |
| Property taxes, levied for general purposes | | | | | 49,987,487 |
| Property taxes, levied for debt service | | | | | 5,214,891 |
| Taxes levied for other specific purposes | | | | | 859,060 |
| Federal and State aid not restricted to specific purposes | | | | | 26,016,404 |
| Interest and investment earnings | | | | | (871,363) |
| Miscellaneous | | | | | 7,306,395 |
| Subtotal, general revenues and subventions | | | | | 88,512,874 |
| Change in Net Position | | | | | 11,360,640 |
| Net Deficit - Beginning, as restated | | | | | (9,259,206) |
| Net Position - Ending | | | | | $ 2,101,434 |

# Ocean View School District
## Balance Sheet – Governmental Funds
## June 30, 2022

| | General Fund | Building Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Assets | | | | | |
| Deposits and investments | $ 22,724,711 | $ 47,553,529 | $ 1,384,247 | $ 15,827,113 | $ 87,489,600 |
| Receivables | 9,968,142 | 31,195 | 37,165 | 1,132,814 | 11,169,316 |
| Due from other funds | 598,198 | - | 84,074 | 19,139 | 701,411 |
| Stores inventories | 54,319 | - | - | 54,037 | 108,356 |
| Lease receivables | - | - | 45,137,508 | - | 45,137,508 |
| Total assets | $ 33,345,370 | $ 47,584,724 | $ 46,642,994 | $ 17,033,103 | $ 144,606,191 |
| Liabilities, Deferred inflows of Resources, and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | $ 6,779,630 | $ 5,060,431 | $ 26 | $ 879,082 | $ 12,719,169 |
| Due to other funds | 103,213 | - | - | 598,198 | 701,411 |
| Unearned revenue | 518,525 | - | - | 261,810 | 780,335 |
| Total liabilities | 7,401,368 | 5,060,431 | 26 | 1,739,090 | 14,200,915 |
| Deferred inflows of Resources | | | | | |
| Deferred inflows of resources related to leases | - | - | 45,137,508 | - | 45,137,508 |
| Fund Balances | | | | | |
| Nonspendable | 107,319 | - | - | 55,037 | 162,356 |
| Restricted | 6,234,450 | 42,524,293 | 554,029 | 15,023,202 | 64,335,974 |
| Assigned | 6,475,551 | - | 951,431 | 215,774 | 7,642,756 |
| Unassigned | 13,126,682 | - | - | - | 13,126,682 |
| Total fund balances | 25,944,002 | 42,524,293 | 1,505,460 | 15,294,013 | 85,267,768 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 33,345,370 | $ 47,584,724 | $ 46,642,994 | $ 17,033,103 | $ 144,606,191 |

| | | |
|---|---|---|
| Total Fund Balance - Governmental Funds | | $ 85,267,768 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | $ 270,381,736 | |
| Accumulated depreciation is | (85,469,482) | |
| Net capital assets | | 184,912,254 |
| In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. | | (1,844,255) |
| Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to | | |
| Net other postemployment benefits (OPEB) liability | 903,234 | |
| Aggregate net pension liability | 16,976,989 | |
| Total deferred outflows of resources | | 17,880,223 |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to | | |
| Net other postemployment benefits (OPEB) liability | (6,287,080) | |
| Aggregate net pension liability | (45,074,185) | |
| Total deferred inflows of resources | | (51,361,265) |
| Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (57,447,002) |
| The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (19,718,042) |

| | | |
|---|---|---|
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. | | |
| Long-term liabilities at year-end consist of | | |
| General obligation bonds | $ (129,630,000) | |
| Premium on issuance of general obligation bonds | (7,988,277) | |
| Certificates of participation | (16,310,000) | |
| Premium on issuance of certificates of participation | (60,411) | |
| Discount on issuance of certificates of participation | 27,631 | |
| Supplemental early retirement plan (SERP) | (647,300) | |
| Compensated absences (vacations) | (979,890) | |
| Total long-term liabilities | | (155,588,247) |
| Total net position - governmental activities | | $ 2,101,434 |

| | General Fund | Building Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local Control Funding Formula | $ 74,117,722 | $ - | $ - | $ - | $ 74,117,722 |
| Federal sources | 10,630,472 | - | - | 3,552,208 | 14,182,680 |
| Other State sources | 14,599,457 | - | - | 1,280,281 | 15,879,738 |
| Other local sources | 6,694,374 | (559,841) | 2,377,374 | 8,104,709 | 16,616,616 |
| Total revenues | 106,042,025 | (559,841) | 2,377,374 | 12,937,198 | 120,796,756 |
| Expenditures | | | | | |
| Current | | | | | |
| Instruction | 67,705,200 | - | - | 731,925 | 68,437,125 |
| Instruction-related activities | | | | | |
| Supervision of instruction | 3,166,050 | - | - | 56,979 | 3,223,029 |
| Instructional library, media, and technology | 808,311 | - | - | - | 808,311 |
| School site administration | 6,016,221 | - | - | 82,794 | 6,099,015 |
| Pupil services | | | | | |
| Home-to-school transportation | 2,081,204 | - | - | - | 2,081,204 |
| Food services | 160,797 | - | - | 2,956,478 | 3,117,275 |
| All other pupil services | 3,258,033 | - | - | - | 3,258,033 |
| Administration | | | | | |
| Data processing | 1,555,002 | - | - | - | 1,555,002 |
| All other administration | 5,669,405 | - | - | 253,140 | 5,922,545 |
| Plant services | 9,099,417 | 1,777,115 | 8,786 | 124,756 | 11,010,074 |
| Ancillary services | 241,353 | - | - | 138,894 | 380,247 |
| Community services | 66,746 | - | - | 1,412,785 | 1,479,531 |
| Other outgo | 150,492 | - | - | - | 150,492 |
| Facility acquisition and construction | 5,645 | 26,807,320 | - | 2,606,576 | 29,419,541 |
| Debt service | | | | | |
| Principal | - | - | 1,680,000 | 2,850,000 | 4,530,000 |
| Interest and other | - | 235,000 | 528,223 | 3,717,740 | 4,480,963 |
| Total expenditures | 99,983,876 | 28,819,435 | 2,217,009 | 14,932,067 | 145,952,387 |
| Excess (Deficiency) of Revenues Over Expenditures | 6,058,149 | (29,379,276) | 160,365 | (1,994,869) | (25,155,631) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | 1,818 | 1,818 |
| Other sources - proceeds from issuance of general obligation bonds | - | 55,000,000 | - | - | 55,000,000 |
| Other sources - premium from issuance of general obligation bonds | - | - | | 4,841,900 | 4,841,900 |
| Transfers out | (1,818) | - | - | - | (1,818) |
| Net Financing Sources (Uses) | (1,818) | 55,000,000 | - | 4,843,718 | 59,841,900 |
| Net Change in Fund Balances | 6,056,331 | 25,620,724 | 160,365 | 2,848,849 | 34,686,269 |
| Fund Balance - Beginning, as restated | 19,887,671 | 16,903,569 | 1,345,095 | 12,445,164 | 50,581,499 |
| Fund Balance - Ending | $ 25,944,002 | $ 42,524,293 | $ 1,505,460 | $ 15,294,013 | $ 85,267,768 |

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds | | $ 34,686,269 |
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. | | |
| This is the amount by which capital outlays exceeds depreciation expense in the period. | | |
| Capital outlays | $ 29,136,673 | |
| Depreciation expense | (5,628,852) | |
| Net expense adjustment | | 23,507,821 |
| Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. | | (14,815) |
| In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than the amount earned by $647,300. Vacation earned was more than the amount used by $181,804. | | 465,496 |
| In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year. | | 8,723,271 |
| In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. | | (327,814) |

| | |
|---|---|
| Proceeds received from General obligation bonds or certificates revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This year the District issued the following debt: | |
| General obligation bonds | $ (55,000,000) |
| Governmental funds report the effect of premiums and deferred charges on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items: | (4,841,900) |
| Premium on issuance | |
| Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities | |
| General obligation bonds | 2,850,000 |
| Certificates of participation | 1,680,000 |
| Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances | |
| Amortization of debt premium | 280,650 |
| Amortization of debt discount | (3,453) |
| Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | (644,885) |
| Change in net position of governmental activities | $ 11,360,640 |

## Note 1 - Summary of Significant Accounting Policies

### Financial Reporting Entity

The Ocean View School District (the District) was organized in 1874 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 kindergarten through eighth as mandated by the State and Federal agencies. The District operates ten elementary schools and four middle 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, boards, and agencies that are not legally separate from the District. For Ocean View School District, this includes general operations, food service, and student related activities of the District.

### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into a single a category: governmental funds.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California School Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $206,890.

**Building Fund** The Building 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.

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

**Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is 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** The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

- **County School Facilities Fund** The County School Facilities 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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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.).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a local educational agency (*Education Code* Sections 15125-15262).

**Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. 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 the 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and 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 on 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 that 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

**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.

**Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: land improvement, 20 to 50 years; buildings and improvements, 20 to 50 years; and equipment, 5 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities' columns of the statement of net position, except for the net residual amounts due between governmental activities, which are presented as internal balances.

**Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The compensated absence liability will be paid by the following funds: General Fund, Child Development Fund, and Child Nutrition Fund.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

**Accrued Liabilities and Long-Term Liabilities**

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

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

**Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements, long-term liabilities are reported as liabilities in the governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources deferred inflows of resources related to leases, for pension related items, and for OPEB related items.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

**Leases**

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**Fund Balances - Governmental Funds**

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

**Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $19,967,426 of net position restricted by enabling legislation.

**Interfund Activity**

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

**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.

**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 of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**Change in Accounting Principles**

**Implementation of GASB Statement No. 87**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position and fund is disclosed in Note 17 and the additional disclosures required by this standard is included in Note 6.

**Implementation of GASB Statement No. 92**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

**Implementation of GASB Statement No. 93**

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Governmental activities | $ 87,489,600 |

Deposits and investments as of June 30, 2022, consist of the following:

| | |
|---|---|
| Cash on hand and in banks | $ 1,010,297 |
| Cash in revolving | 54,000 |
| Investments | 86,425,303 |
| Total deposits and investments | $ 87,489,600 |

### Policies and Practices

The District is authorized under California Government Code and the District's investment policy 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; and collateralized mortgage obligations.

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

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

**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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Treasury Investment Pool and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $86,425,303 with the Orange County Treasury Investment Pool that has an average weighted maturity of 287 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Orange County Treasury Investment Pool has been rated Aaa by Moody's Investor Service.

**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 have a policy for custodial credit risk for deposits. The District's policy requires that all monies deposited in a bank account outside of County Treasury be fully insured or collateralized. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District has bank balances exposed to custodial credit risk totaling $243,241.

## Note 3 - Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, 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 in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- 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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- 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 reasonably 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.

As of June 30, 2022, the District's investments of $86,425,303 in the Orange County Treasury Investment Pool are uncategorized.

## Note 4 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General Fund | Building Fund | Special Reserve Fund For Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Activities |
|---|---|---|---|---|---|
| Federal Government | | | | | |
| Categorical aid | $ 6,982,713 | $ - | $ - | $ 1,052,351 | $ 8,035,064 |
| State Government | | | | | |
| LCFF apportionment | 282,576 | - | - | - | 282,576 |
| Categorical aid | 441,447 | - | - | 38,507 | 479,954 |
| Lottery | 442,966 | - | - | - | 442,966 |
| Special education | 1,302,171 | - | - | - | 1,302,171 |
| Local Government | | | | | |
| Interest | 36,281 | 28,787 | 4,494 | 8,847 | 78,409 |
| Other local sources | 479,988 | 2,408 | 32,671 | 33,109 | 548,176 |
| Total | $ 9,968,142 | $ 31,195 | $ 37,165 | $ 1,132,814 | $ 11,169,316 |

## Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

| | Balance July 1, 2021 | Additions | Deductions | Balance June 30, 2022 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 10,554,104 | $ - | $ - | $ 10,554,104 |
| Construction in progress | 61,802,800 | 29,416,304 | (19,942,500) | 71,276,604 |
| Total capital assets not being depreciated | 72,356,904 | 29,416,304 | (19,942,500) | 81,830,708 |
| Capital assets being depreciated | | | | |
| Land improvements | 7,184,510 | 5,645 | - | 7,190,155 |
| Buildings and improvements | 143,616,819 | 19,345,518 | - | 162,962,337 |
| Furniture and equipment | 18,166,890 | 311,706 | (80,060) | 18,398,536 |
| Total capital assets being depreciated | 168,968,219 | 19,662,869 | (80,060) | 188,551,028 |
| Total capital assets | 241,325,123 | 49,079,173 | (20,022,560) | 270,381,736 |
| Accumulated depreciation | | | | |
| Land improvements | (6,820,245) | (65,770) | - | (6,886,015) |
| Buildings and improvements | (58,347,334) | (4,932,290) | - | (63,279,624) |
| Furniture and equipment | (14,738,296) | (630,792) | 65,245 | (15,303,843) |
| Total accumulated depreciation | (79,905,875) | (5,628,852) | 65,245 | (85,469,482) |
| Governmental activities capital assets, net | $ 161,419,248 | $ 43,450,321 | $ (19,957,315) | $ 184,912,254 |

Depreciation expenses was charged to governmental functions as follows:

| | | |
|---|---|---|
| Governmental Activities | | |
| Instruction | $ | 2,781,216 |
| Home-to-school transportation | | 42,217 |
| Food services | | 92,876 |
| All other pupil services | | 124,398 |
| All other administration | | 273,562 |
| Plant services | | 2,314,583 |
| Total depreciation expenses governmental activities | $ | 5,628,852 |

## Note 6 - Lease Receivables

Lease receivables are recorded by the District at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provisions of estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments toe be received are discounted based on the interest rate the District charges the lessee. The District has accrued a receivable for leasing facilities to various lessees. These leases are non-cancelable for periods more than one year. During the fiscal year, the District recognized $1,190,081 in lease revenue and $1,076,111 in interest revenue related to these agreements. As of June 30, 2022, the District recorded $45,137,508 in lease receivable and deferred inflow of resources for these agreements. The interest rate on these leases is 2.45%.

## Note 7 - Interfund Transactions

### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

| | Due From | | |
|---|---|---|---|
| Due To | General Fund | Non-Major Governmental Funds | Total |
| General Fund | $ - | $ 598,198 | $ 598,198 |
| Special Reserve Fund for Capital Outlay Projects | 84,074 | - | 84,074 |
| Non-Major Governmental Funds | 19,139 | - | 19,139 |
| Total | $ 103,213 | $ 598,198 | $ 701,411 |

A balance of $168,543 is due from the Child Development Non-Major Governmental Fund to the General Fund for indirect costs.

A balance of $11,088 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

A balance of $81,105 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for indirect costs.

A balance of $5,357 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

A balance of $332,105 is due from the County School Facilities Non-Major Governmental Fund to the General Fund for operating expenditures.

A balance of $19,139 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for operating expenditures.

A balance of $84,074 is due from the General Fund to the Special Reserve Fund for Capital Outlay Projects for use of facilities fees.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2022, consisted of the following:

| | |
|---|---|
| The General Fund transferred to the Cafeteria Development Non-Major Governmental Fund for operating contributions. | $ 1,818 |

## Note 8 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

| | General Fund | Building Fund | Special Reserve Fund For Capital Outlay Projects | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|
| Salaries and benefits | $ 4,734,917 | $ - | $ - | $ 461,892 | $ 5,196,809 |
| Supplies | 293,760 | | - | 186,930 | 480,690 |
| Services | 1,096,412 | 429,334 | - | 16,494 | 1,542,240 |
| Capital outlay | 23,793 | 4,625,487 | - | 8,565 | 4,657,845 |
| Other vendor payables | 630,748 | 5,610 | 26 | 205,201 | 841,585 |
| Total | $ 6,779,630 | $ 5,060,431 | $ 26 | $ 879,082 | $ 12,719,169 |

## Note 9 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| Federal financial assistance | $ 518,525 | $ - | $ 518,525 |
| State categorical aid | - | 261,810 | 261,810 |
| Total | $ 518,525 | $ 261,810 | $ 780,335 |

## Note 10 - Long-Term Liabilities Other than OPEB and Pensions

### Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

| | Balance July 1, 2021 | Additions | Deductions | Balance June 30, 2022 | Due in One Year |
|---|---|---|---|---|---|
| Long-Term Liabilities | | | | | |
| General obligation bonds | $ 77,480,000 | $ 55,000,000 | $ (2,850,000) | $ 129,630,000 | $ 2,655,000 |
| Premium on issuance of general obligation bonds | 3,401,322 | 4,841,900 | (254,945) | 7,988,277 | - |
| Certificates of participation | 17,990,000 | - | (1,680,000) | 16,310,000 | 1,755,000 |
| Premium on issuance of certificates of participation | 86,116 | - | (25,705) | 60,411 | - |
| Discount on issuance of certificates of participation | (31,084) | 3,453 | - | (27,631) | - |
| Supplemental early retirement plan (SERP) | 1,294,600 | - | (647,300) | 647,300 | 647,300 |
| Compensated absences | 798,086 | 181,804 | - | 979,890 | - |
| Total | $ 101,019,040 | $ 60,027,157 | $ (5,457,950) | $ 155,588,247 | $ 5,057,300 |

Payments for the General Obligation Bonds will be made by the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation are made by the Special Reserve Fund for Capital Outlay Projects. Supplemental early retirement plan is paid by the General Fund. Compensated absences will be paid by the General Fund, Child Development Fund, and Cafeteria Fund.

### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

| Issuance Date | Final Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2021 | Issued | Redeemed | Bonds Outstanding June 30, 2022 |
|---|---|---|---|---|---|---|---|
| 5/17/2017 | 8/1/2046 | 2.00-5.00% | $ 45,000,000 | $ 35,480,000 | $ - | (1,100,000) | $ 34,380,000 |
| 2/13/2020 | 8/1/2049 | 2.00-6.00% | 42,000,000 | 42,000,000 | - | (1,750,000) | 40,250,000 |
| 10/20/2021 | 8/1/2050 | 2.25-5.00% | 55,000,000 | - | 55,000,000 | - | 55,000,000 |
| | | | | $ 77,480,000 | $ 55,000,000 | (2,850,000) | $ 129,630,000 |

**2016 General Obligation Bonds, Series A**

On May 17, 2017, the District issued the $45,000,000 Election of 2016 General Obligation Bonds, Series A. The Series A bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2046, with interest rates ranging from 2.00 to 5.00%. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, equipping of District sites and facilities, and to pay the costs of issuing the bonds. At June 30, 2022, the principal balance outstanding of the 2016 General Obligation Bonds, Series A was $34,380,000. Unamortized premium as of June 30, 2022 was $1,532,784.

**2016 General Obligation Bonds, Series B**

On February 13, 2020, the District issued the $42,000,000 Election of 2016 General Obligation Bonds, Series B. The Series B bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2049, with interest rates ranging from 2.00 to 6.00%. Proceeds from the sale of the bonds will be used to finance the repair, upgrading, acquisition, construction, equipping of District sites and facilities, and to pay the costs of issuing the bonds. At June 30, 2022, the principal balance outstanding of the 2016 General Obligation Bonds, Series B was $40,250,000. Unamortized premium as of June 30, 2022 was $1,738,815.

**2016 General Obligation Bonds, Series C**

On October 20, 2021, the District issued the $55,000,000 Election of 2016 General Obligation Bonds, Series C. The Series C bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2050, with interest rates ranging from 2.25 to 5.00%. Proceeds from the sale of the bonds will be used to finance the repair, upgrading, acquisition, construction, equipping of certain District sites and facilities, and to pay the costs of issuing the bonds. At June 30, 2022, the principal balance outstanding of the 2016 General Obligation Bonds, Series C was $55,000,000. Unamortized premium as of June 30, 2022 was $4,716,678.

The Bonds mature through 2051 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2023 | $ 2,655,000 | $ 4,255,631 | $ 6,910,631 |
| 2024 | 3,080,000 | 4,096,481 | 7,176,481 |
| 2025 | 2,675,000 | 3,933,556 | 6,608,556 |
| 2026 | 960,000 | 3,836,806 | 4,796,806 |
| 2027 | 1,140,000 | 3,776,556 | 4,916,556 |
| 2028-2032 | 7,190,000 | 17,923,681 | 25,113,681 |
| 2033-2037 | 15,000,000 | 15,433,231 | 30,433,231 |
| 2038-2042 | 25,030,000 | 11,891,913 | 36,921,913 |
| 2043-2047 | 37,705,000 | 7,127,294 | 44,832,294 |
| 2048-2051 | 34,195,000 | 1,664,523 | 35,859,523 |
| Total | $ 129,630,000 | $ 73,939,672 | $ 203,569,672 |

**Certificates of Participation**

The outstanding certificates of participation debt is as follows:

| Issuance Date | Final Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2021 | Redeemed | Bonds Outstanding June 30, 2022 |
|---|---|---|---|---|---|---|
| 2/26/2010 | 3/1/2022 | 3.00-4.25% | $ 6,875,000 | $ 350,000 | $ (350,000) | $ - |
| 6/19/2014 | 6/1/2029 | 3.00-3.38% | 10,720,000 | 7,550,000 | (740,000) | 6,810,000 |
| 8/26/2015 | 6/1/2030 | 3.00-4.00% | 11,870,000 | 10,090,000 | (590,000) | 9,500,000 |
| | | | | $ 17,990,000 | $ (1,680,000) | $ 16,310,000 |

**2010 Refunding Certificates of Participation**

On February 26, 2010, the District issued the 2010 Refunding Certificates of Participation in the amount of $6,875,000 with interest rates ranging from 3.00 to 4.25%. The 2010 Refunding Certificates of Participation have a final maturity to occur on March 1, 2022. Proceeds from the sale of the certificates were used to refund the outstanding portion of the 2002 Certificates of Participation and pay the costs associated with the execution and delivery of the certificates. As of June 30, 2022, the 2010 Refunding Certificates of Participation were fully paid off.

**2014 Certificates of Participation**

On June 19, 2014, the District issued the 2014 Certificates of Participation in the amount of $10,720,000 with interest rates ranging from 3.00 to 3.38%. The 2014 Certificates of Participation have a final maturity to occur on June 1, 2029. Proceeds from the sale of the certificates were used to finance the modernization of certain District schools and pay certain costs of issuance of the Certificates. As of June 30, 2022, the outstanding balance on the 2014 Certificates of Participation was $6,810,000. As of June 30, 2022, the unamortized premium received on issuance amounted to $60,411.

**2015 Certificates of Participation**

On August 26, 2015, the District issued the 2015 Certificates of Participation in the amount of $11,870,000 with interest rates ranging from 3.00 to 4.00%. The 2015 Certificates of Participation have a final maturity to occur on June 1, 2030. Proceeds from the sale of the certificates will be used to finance the modernization of certain District schools and pay certain costs of issuance of the Certificates. As of June 30, 2022, the outstanding balance on the 2015 Certificates of Participation was $9,500,000. As of June 30, 2022, the unamortized discount on issuance amounted to $27,631.

The certificates of participation mature through 2030, as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 1,755,000 | $ 486,025 | $ 2,241,025 |
| 2024 | 1,830,000 | 439,525 | 2,269,525 |
| 2025 | 1,890,000 | 391,038 | 2,281,038 |
| 2026 | 1,980,000 | 334,338 | 2,314,338 |
| 2027 | 2,070,000 | 274,938 | 2,344,938 |
| 2028-2030 | 6,785,000 | 432,000 | 7,217,000 |
| Total | $ 16,310,000 | $ 2,357,864 | $ 18,667,864 |

**Supplemental Early Retirement Plan (SERP)**

In 2017-2018 fiscal year, the District adopted the supplemental early retirement plan whereby certain eligible certificated and classified employees were provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS). The criteria for qualification are as follows: have 50% full-time employment with the District with five years of service with the District, certificated employees have to be at least 55 years of age by the date of retirement with five years of CalSTRS service or be at least 50 years of age by the date of retirement with 30 years of CalSTRS service, and classified employees have to be at least 50 years of age by the date of retirement with five years of CalPERS service.

Future annuity payments are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2023 | $ 647,300 |

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $979,890.

## Note 11 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| OPEB Plan | OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---|---|---|---|---|
| District Plan | $ 19,254,341 | $ 903,234 | $ 6,287,080 | $ 1,038,905 |
| Medicare Premium Payment (MPP) Program | 463,701 | | | (95,489) |
| Total | $ 19,718,042 | $ 903,234 | $ 6,287,080 | $ 943,416 |

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Plan Membership**

At June 30, 2022, the valuation date, the Plan membership consisted of the following:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits payments | 20 |
| Active employees | 547 |
| Total | 567 |

**Benefits Provided**

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirement of the Plan members and the District are established and may be amended by the District, the Ocean View Teachers Association (OVTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, OVTA, CSEA, and the unrepresented groups. For fiscal year 2021-2022, the District paid $615,602 in benefits.

**Total OPEB Liability of the District**

The District's total OPEB liability of $19,254,341 was measured as of June 30, 2022, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Salary increases | 2.75%, average, including inflation |
| Discount rate | 4.09% for 2022 |
| Healthcare cost trend rates | 7.00% |

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study for the period July 1, 2021, to June 30, 2022.

**Changes in the Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| Balance, June 30, 2021 | $ 22,845,318 |
| Service cost | 1,283,991 |
| Interest | 519,345 |
| Differences between expected and actual experience in the measurement of the total OPEB liability | (1,142,537) |
| Changes of assumptions | (3,636,174) |
| Benefit payments | (615,602) |
| Net change in total OPEB liability | (3,590,977) |
| Balance, June 30, 2022 | $ 19,254,341 |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.18% in 2021 to 4.09% in 2022.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Total OPEB Liability |
|---|---|
| 1% decrease (3.09%) | $ 20,705,044 |
| Current discount rate (4.09%) | 19,254,341 |
| 1% increase (5.09%) | 17,864,608 |

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

| Healthcare Cost Trend Rates | Total OPEB Liability |
|---|---|
| 1% decrease (6.00%) | $ 17,226,367 |
| Current healthcare cost trend rate (7.00%) | 19,254,341 |
| 1% increase (8.00%) | 21,588,601 |

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB**

For the year ended June 30, 2022, the District recognized OPEB expense of $1,038,905. At June 30, 2022, the District reported the following OPEB related deferred outflows of resources and deferred inflows of resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience in the measurement of the total OPEB liability | $ - | $ 1,596,817 |
| Changes of assumptions | 903,234 | 4,690,263 |
| Total | $ 903,234 | $ 6,287,080 |

The deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (764,431) |
| 2024 | (764,431) |
| 2025 | (764,431) |
| 2026 | (769,406) |
| 2027 | (810,312) |
| Thereafter | (1,510,835) |
| Total | $ (5,383,846) |

**Medicare Premium Payment (MPP) Program**

**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

**Net OPEB Liability and OPEB Expense**

At June 30, 2022, the District reported a liability of $463,701 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1163 percent, and 0.1320 percent, resulting in a net decrease in the proportionate share of 0.0157 percent.

For the year ended June 30, 2022, the District recognized OPEB expense of $(95,489).

**Actuarial Methods and Assumptions**

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

| | | |
|---|---|---|
| Measurement Date | June 30, 2021 | June 30, 2020 |
| Valuation Date | June 30, 2020 | June 30, 2019 |
| Experience Study | July 1, 2015 through June 30, 2018 | June 30, 2014 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 2.16% | 2.21% |
| Medicare Part A Premium Cost Trend Rate | 4.50% | 4.50% |
| Medicare Part B Premium Cost Trend Rate | 5.40% | 5.40% |

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net OPEB Liability |
|---|---|
| 1% decrease (1.16%) | $ 511,126 |
| Current discount rate (2.16%) | 463,701 |
| 1% increase (3.16%) | 423,181 |

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates**

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

| Medicare Costs Trend Rate | Net OPEB Liability |
|---|---|
| 1% decrease (3.50% Part A and 4.40% Part B) | $ 421,682 |
| Current Medicare costs trend rate (4.50% Part A and 5.40% Part B) | 463,701 |
| 1% increase (5.50% Part A and 6.40% Part B) | 511,875 |

## Note 12 - Fund Balances

Fund balances are composed of the following elements:

| | General Fund | Building Fund | Special Reserve Fund For Capital Outlay Projects | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|
| Nonspendable | | | | | |
| Revolving cash | $ 53,000 | $ - | $ - | $ 1,000 | $ 54,000 |
| Stores inventories | 54,319 | - | - | 54,037 | 108,356 |
| Total nonspendable | 107,319 | - | - | 55,037 | 162,356 |
| Restricted | | | | | |
| Legally restricted programs | 6,234,450 | - | - | 564,538 | 6,798,988 |
| Food service | - | - | - | 1,833,333 | 1,833,333 |
| Capital projects | - | 42,524,293 | 554,029 | 4,899,217 | 47,977,539 |
| Debt service | - | - | - | 7,726,114 | 7,726,114 |
| Total restricted | 6,234,450 | 42,524,293 | 554,029 | 15,023,202 | 64,335,974 |
| Assigned | | | | | |
| School site donations carryover | 342,445 | - | - | - | 342,445 |
| Deferred maintenance projects | 136,815 | - | - | - | 136,815 |
| Unrestricted lottery | 1,996,291 | - | - | - | 1,996,291 |
| Textbook adoption | 1,000,000 | - | - | - | 1,000,000 |
| Technology infrastructure | 250,000 | - | - | - | 250,000 |
| Technology device replacement | 500,000 | - | - | - | 500,000 |
| Facilities, information technology, and food service vehicle replacement | 250,000 | - | - | - | 250,000 |
| Portable classroom replacement | 500,000 | - | - | - | 500,000 |
| Heating, ventilation, and conditioning repair and replacement | 1,000,000 | - | - | - | 1,000,000 |
| Asphalt repair | 500,000 | - | - | - | 500,000 |
| Capital projects | - | - | 951,431 | - | 951,431 |
| Child development | - | - | - | 215,774 | 215,774 |
| Total assigned | 6,475,551 | - | 951,431 | 215,774 | 7,642,756 |
| Unassigned | | | | | |
| Reserve for economic uncertainties | 12,972,806 | - | - | - | 12,972,806 |
| Remaining unassigned | 153,876 | - | - | - | 153,876 |
| Total unassigned | 13,126,682 | - | - | - | 13,126,682 |
| Total | $ 25,944,002 | $ 42,524,293 | $ 1,505,460 | $ 15,294,013 | $ 85,267,768 |

## Note 13 - Risk Management

### Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District contracted with Alliance of Schools Cooperative Insurance Program Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### Workers' Compensation

For fiscal year 2022, the District participated in the Western Orange County Self-Funded Workers' Compensation Insurance Agency (the Agency), a joint powers authority. The intent of the Agency is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Agency. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Agency. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Agency is limited to districts that can meet the Agency's selection criteria.

### Employee Medical Benefits

The District has contracted with California Schools VEBA (CSVEBA) to provide employee health and welfare benefits. The District has also contracted with Alliance of Schools for Cooperative Insurance Premiums (ASCIP), a joint powers authority, to provide employee dental benefits. CSVEBA and ASCIP are shared risk pools comprised of several local education agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

## Note 14 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 35,196,167 | $ 12,891,263 | $ 33,841,676 | $ 927,482 |
| CalPERS | 22,250,835 | 4,085,726 | 11,232,509 | 1,057,261 |
| Total | $ 57,447,002 | $ 16,976,989 | $ 45,074,185 | $ 1,984,743 |

The details of each plan are as follows:

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

**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | STRP Defined Benefit Program | |
|---|---|---|
| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 16.92% | 16.92% |
| Required state contribution rate | 10.828% | 10.828% |

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $7,286,532.

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

At June 30, 2022, 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:

| Total Net Pension Liability, Including State Share | |
|---|---|
| Proportionate share of net pension liability | $ 35,196,167 |
| State's proportionate share of the net pension liability | 17,709,346 |
| Total | $ 52,905,513 |

The net pension liability was measured as of June 30, 2021. 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 and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.0773% and 0.0757%, resulting in a net increase in the proportionate share of 0.0016%.

For the year ended June 30, 2022, the District recognized pension expense of $927,482. In addition, the District recognized pension expense and revenue of $605,903 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 7,286,532 | $ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 529,640 | 2,254,997 |
| Differences between projected and actual earnings on pension plan investments | - | 27,841,074 |
| Differences between expected and actual experience in the measurement of the total pension liability | 88,168 | 3,745,605 |
| Changes of assumptions | 4,986,923 | - |
| Total | $ 12,891,263 | $ 33,841,676 |

The 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (7,069,963) |
| 2024 | (6,466,706) |
| 2025 | (6,627,189) |
| 2026 | (7,677,216) |
| Total | $ (27,841,074) |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ 656,363 |
| 2024 | 1,111,803 |
| 2025 | (836,328) |
| 2026 | (581,511) |
| 2027 | (428,333) |
| Thereafter | (317,865) |
| Total | $ (395,871) |

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| Experience study | July 1, 2015 through June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent 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, 2021, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Public equity | 42% | 4.8% |
| Real estate | 15% | 3.6% |
| Private equity | 13% | 6.3% |
| Fixed income | 12% | 1.3% |
| Risk mitigating strategies | 10% | 1.8% |
| Inflation sensitive | 6% | 3.3% |
| Cash/liquidity | 2% | -0.4% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP'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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 71,646,798 |
| Current discount rate (7.10%) | 35,196,167 |
| 1% increase (8.10%) | 4,942,839 |

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

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation reports, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|---|---|
| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 7.00% |
| Required employer contribution rate | 22.910% | 22.910% |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were $3,421,482.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $22,250,835. The net pension liability was measured as of June 30, 2021. 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. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.1094% and 0.1152%, resulting in a net decrease in the proportionate share of 0.0058%.

For the year ended June 30, 2022, the District recognized pension expense of $1,057,261. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 3,421,482 | $ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | - | 2,640,847 |
| Differences between projected and actual earnings on pension plan investments | - | 8,539,208 |
| Differences between expected and actual experience in the measurement of the total pension liability | 664,244 | 52,454 |
| Total | $ 4,085,726 | $ 11,232,509 |

The 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (2,141,626) |
| 2024 | (1,969,417) |
| 2025 | (2,053,246) |
| 2026 | (2,374,919) |
| Total | $ (8,539,208) |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (766,301) |
| 2024 | (787,509) |
| 2025 | (435,621) |
| 2026 | (39,626) |
| Total | $ (2,029,057) |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.15% |
| Investment rate of return | 7.15% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and service |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global equity | 50% | 5.98% |
| Fixed income | 28% | 2.62% |
| Inflation assets | 0% | 1.81% |
| Private equity | 8% | 7.23% |
| Real assets | 13% | 4.93% |
| Liquidity | 1% | -0.92% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.15%) | $ 37,518,032 |
| Current discount rate (7.15%) | 22,250,835 |
| 1% increase (8.15%) | 9,575,786 |

**Tax Deferred Annuity/Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,973,967 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements

## Note 15 - Commitments and Contingencies

**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, 2022.

**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, 2022.

**Construction Commitments**

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

| Capital Project | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| District Office HVAC | $ 792,894 | December 2022 |
| Marine Modernization | 16,392 | December 2022 |
| Mesa Modernization | 1,498,500 | September 2024 |
| Park View Demolition | 425,000 | December 2022 |
| Star Modernization | 31,806,000 | September 2023 |
| Vista Modernization | 4,576,593 | September 2023 |
| Total | $ 39,115,379 | |

## Note 16 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the Western Orange County Self-Funded Workers' Compensation Agency, California Schools VEBA, and the Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority public entity risk pools. The District pays an annual premium to each entity for its workers' compensation, and property and liability, and health and welfare benefits coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2022, the District made payments of $972,894, $6,886,164, and $2,507,853 to the West Orange County Self-Funded Workers' Compensation Agency, California Schools VEBA, and Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority, respectively, for annual premium payments.

## Note 17 - Restatement of Prior Year Net Deficit and Fund Balance

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position and fund balance were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

| | Special Reserve Fund for Capital Outlay Projects | Total Governmental Funds |
|---|---|---|
| Beginning Fund Balance previously reported at June 30, 2021 | | |
| Fund Balance - Beginning | $ 1,345,095 | $ 50,581,499 |
| Lease receivables | 37,655,341 | 37,655,341 |
| Deferred inflows of resources related to leases | (37,655,341) | (37,655,341) |
| Fund Balance - Beginning as Restated July 1, 2021 | $ 1,345,095 | $ 50,581,499 |
| Government-Wide Financial Statements | | |
| Beginning Governmental Activities Net Deficit previously reported at June 30, 2021 | | $ (9,259,206) |
| Lease receivables | | 37,655,341 |
| Deferred inflows of resources related to leases | | (37,655,341) |
| Net Deficit - Beginning as Restated July 1, 2021 | | $ (9,259,206) |

Required Supplementary Information
June 30, 2022

# Ocean View School District

| | Budgeted Amounts | | | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| Revenues | | | | |
| Local Control Funding Formula | $ 73,696,534 | $ 74,158,632 | $ 74,117,722 | $ (40,910) |
| Federal sources | 5,813,880 | 14,284,683 | 10,630,472 | (3,654,211) |
| Other State sources | 9,415,288 | 14,412,532 | 14,599,457 | 186,925 |
| Other local sources | 5,728,464 | 7,020,951 | 6,694,374 | (326,577) |
| Total revenues [1] | 94,654,166 | 109,876,798 | 106,042,025 | (3,834,773) |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 41,048,478 | 43,475,211 | 43,328,180 | 147,031 |
| Classified salaries | 15,597,939 | 16,155,812 | 16,207,862 | (52,050) |
| Employee benefits | 24,045,343 | 25,082,815 | 25,179,634 | (96,819) |
| Books and supplies | 1,928,321 | 6,441,274 | 5,052,149 | 1,389,125 |
| Services and operating expenditures | 7,391,263 | 11,305,759 | 9,369,713 | 1,936,046 |
| Other outgo | 151,967 | (52,138) | (98,645) | 46,507 |
| Capital outlay | 23,933 | 3,271,892 | 944,983 | 2,326,909 |
| Total expenditures [1] | 90,187,244 | 105,680,625 | 99,983,876 | 5,696,749 |
| Excess of Revenues Over Expenditures | 4,466,922 | 4,196,173 | 6,058,149 | 1,861,976 |
| Other Financing Uses | | | | |
| Transfers out | (250,000) | (250,000) | (1,818) | 248,182 |
| Net Change in Fund Balances | 4,216,922 | 3,946,173 | 6,056,331 | 2,110,158 |
| Fund Balance - Beginning | 19,887,671 | 19,887,671 | 19,887,671 | - |
| Fund Balance - Ending | $ 24,104,593 | $ 23,833,844 | $ 25,944,002 | $ 2,110,158 |

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

# Ocean View School District

## Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Year Ended June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total OPEB Liability | | | | | |
| Service cost | $ 1,283,991 | $ 1,200,431 | $ 1,009,057 | $ 1,003,367 | $ 1,058,553 |
| Interest | 519,345 | 579,745 | 663,170 | 669,604 | 661,107 |
| Differences between expected and actual experience in the measurement of the total OPEB liability | (1,142,537) | - | (903,983) | - | 1,847,041 |
| Changes of assumptions | (3,636,174) | 762,527 | (2,272,032) | 354,883 | 274,835 |
| Benefit payments | (615,602) | (579,969) | (743,090) | (724,615) | (459,130) |
| Net change in total OPEB liability | (3,590,977) | 1,962,734 | (2,246,878) | 1,303,239 | 3,382,406 |
| Total OPEB Liability - Beginning | $ 22,845,318 | $ 20,882,584 | $ 23,129,462 | $ 21,826,223 | $ 18,443,817 |
| Total OPEB Liability - Ending | $ 19,254,341 | $ 22,845,318 | $ 20,882,584 | $ 23,129,462 | $ 21,826,223 |
| Covered Payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Total OPEB Liability as a Percentage of Covered Payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

# Ocean View School District

## Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

Year Ended June 30, 2022

| Year ended June 30, | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Proportion of the net OPEB liability | 0.1163% | 0.1320% | 0.1349% | 0.1358% | 0.1409% |
| Proportionate share of the net OPEB liability | $ 463,701 | $ 559,190 | $ 502,294 | $ 519,821 | $ 592,737 |
| Covered payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.80% | -0.71% | -0.81% | -0.40% | 0.01% |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note* : In the future, as data becomes available, ten years of information will be presented.

# Ocean View School District

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

Year Ended June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **CalSTRS** | | | | | | | | |
| Proportion of the net pension liability | 0.0773% | 0.0757% | 0.0762% | 0.0757% | 0.0778% | 0.0806% | 0.0837% | 0.0836% |
| Proportionate share of the net pension liability | $ 35,196,167 | $ 73,386,486 | $ 68,862,904 | $ 69,538,654 | $ 71,969,514 | $ 65,203,930 | $ 56,334,655 | $ 48,824,373 |
| State's proportionate share of the net pension liability | 17,709,346 | 37,830,742 | 37,569,311 | 39,814,132 | 42,576,556 | 37,119,434 | 29,794,822 | 29,482,264 |
| Total | $ 52,905,513 | $ 111,217,228 | $ 106,432,215 | $ 109,352,786 | $ 114,546,070 | $ 102,323,364 | $ 86,129,477 | $ 78,306,637 |
| Covered payroll | $ 42,721,907 | $ 41,098,047 | $ 40,215,018 | $ 40,347,263 | $ 40,833,188 | $ 39,393,075 | $ 37,924,471 | $ 37,497,499 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 82.38% | 178.56% | 171.24% | 172.35% | 176.25% | 165.52% | 148.54% | 130.21% |
| Plan fiduciary net position as a percentage of the total pension liability | 87% | 72% | 73% | 71% | 69% | 70% | 74% | 77% |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| **CalPERS** | | | | | | | | |
| Proportion of the net pension liability | 0.1094% | 0.1152% | 0.1193% | 0.1258% | 0.1266% | 0.1299% | 0.1364% | 0.1370% |
| Proportionate share of the net pension liability | $ 22,250,835 | $ 35,338,116 | $ 34,770,329 | $ 33,531,043 | $ 30,221,356 | $ 25,660,835 | $ 20,112,330 | $ 15,558,329 |
| Covered payroll | $ 16,072,942 | $ 16,605,694 | $ 16,458,615 | $ 16,807,939 | $ 15,428,298 | $ 15,574,399 | $ 15,147,003 | $ 15,147,003 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 138.44% | 212.81% | 211.26% | 199.50% | 195.88% | 164.76% | 132.78% | 102.72% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 70% | 70% | 71% | 72% | 74% | 79% | 83% |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

*Note* : In the future, as data becomes available, ten years of information will be presented.

# Ocean View School District
## Schedule of the District's Contributions
## Year Ended June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **CalSTRS** | | | | | | | | |
| Contractually required contribution | $ 7,286,532 | $ 6,899,588 | $ 7,027,766 | $ 6,547,005 | $ 5,822,110 | $ 5,136,815 | $ 4,226,877 | $ 3,367,693 |
| Less contributions in relation to the contractually required contribution | 7,286,532 | 6,899,588 | 7,027,766 | 6,547,005 | 5,822,110 | 5,136,815 | 4,226,877 | 3,367,693 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 43,064,610 | $ 42,721,907 | $ 41,098,047 | $ 40,215,018 | $ 40,347,263 | $ 40,833,188 | $ 39,393,075 | $ 37,924,471 |
| Contributions as a percentage of covered payroll | 16.92% | 16.15% | 17.10% | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% |
| **CalPERS** | | | | | | | | |
| Contractually required contribution | $ 3,421,482 | $ 3,327,099 | $ 3,274,809 | $ 2,972,755 | $ 2,610,441 | $ 2,142,682 | $ 1,845,099 | $ 1,783,241 |
| Less contributions in relation to the contractually required contribution | 3,421,482 | 3,327,099 | 3,274,809 | 2,972,755 | 2,610,441 | 2,142,682 | 1,845,099 | 1,783,241 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 14,934,448 | $ 16,072,942 | $ 16,605,694 | $ 16,458,615 | $ 16,807,939 | $ 15,428,298 | $ 15,574,399 | $ 15,147,003 |
| Contributions as a percentage of covered payroll | 22.910% | 20.700% | 19.721% | 18.062% | 15.531% | 13.888% | 11.847% | 11.771% |

*Note* : In the future, as data becomes available, ten years of information will be presented.

## Note 1 - Purpose of Schedules

**Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate changed from 2.18% in 2021 to 4.09% in 2022.

**Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% in 2021 to 2.16% in 2022.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

**Schedule of the District's Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2022

# Ocean View School District

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Education | | | |
| Passed Through California Department of Education (CDE) | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | $ 2,095,832 |
| School Improvement Funding for LEAs | 84.010 | 15438 | 185,675 |
| Subtotal | | | 2,281,507 |
| Title III, Immigrant Student Program | 84.365 | 15146 | 39 |
| Title III, English Learner Student Program | 84.365 | 14346 | 198,690 |
| Subtotal | | | 198,729 |
| COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 15536 | 1,795 |
| COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 84.425D | 15547 | 421,191 |
| COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 84.425U | 15559 | 2,225,521 |
| COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve | 84.425D | 15618 | 425,370 |
| COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs | 84.425D | 15620 | 9,811 |
| COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund Learning Loss | 84.425U | 10155 | 2,186,411 |
| COVID-19: Governor's Emergency Education Relief Fund: Learning Loss Mitigation | 84.425C | 15517 | 513,728 |
| Subtotal | | | 5,783,827 |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | 243,441 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 109,634 |
| Passed Through West Orange County Consortium for Special Education | | | |
| Special Education Cluster (IDEA) | | | |
| Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 1,517,593 |
| Local Assistance, Part B, Sec 611, Private School ISPs | 84.027 | 10115 | 35,716 |
| Local Assistance, Part B, Sec 611, Local Assistance Private S | 84.027 | 15638 | 318,061 |
| Local Assistance, Part B, Sec 611, Local Assistance Entitlem | 84.027 | 10169 | 7,485 |
| Subtotal | | | 1,878,855 |

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| Preschool Grants, Part B, Sec 619 | 84.173 | 13430 | $ 77,897 |
| COVID-19: ARP Preschool Grants, Part B, Sec 619 | 84.173 | 15639 | 50,130 |
| Preschool Staff Development, Part B, Sec 619 | 84.173A | 13431 | 638 |
| Subtotal | | | 128,665 |
| Subtotal Special Education Cluster (IDEA) | | | 2,007,520 |
| Total U.S. Department of Education | | | 10,624,658 |
| U.S. Department of Agriculture | | | |
| Passed Through CDE | | | |
| Child Nutrition Cluster | | | |
| School Programs (NSL Sec 11) | 10.555 | 13524 | 2,049,364 |
| School Programs (NSL Sec 4) | 10.555 | 13523 | 214,234 |
| Commodities | 10.555 | 13524 | 330,081 |
| COVID-19: SNP COVID-19 Emergency Operational Costs Reimbursement | 10.555 | 15637 | 117,450 |
| Subtotal | | | 2,711,129 |
| School Programs (School Breakfast Needy) | 10.553 | 13526 | 386,103 |
| Subtotal Child Nutrition Cluster | | | 3,097,232 |
| COVID-19: Pandemic EBT Local Administrative Grant | 10.649 | 15644 | 5,814 |
| Passed Through California Department of Social Services | | | |
| Child Care Food Program (CCFP) Claims-Centers and Family Centers and Family Day Care Homes | 10.558 | 13393 | 185,108 |
| Cash in Lieu of Commodities | 10.558 | 13534 | 13,149 |
| COVID-19: Emergency Operational Costs Reimbursement | 10.558 | 15577 | 11,985 |
| Subtotal | | | 210,242 |
| Total U.S. Department of Agriculture | | | 3,313,288 |
| Total Federal Financial Assistance | | | $ 13,937,946 |

**ORGANIZATION**

The Ocean View School District was established in 1874, serving grades kindergarten through eighth. Th District operates ten elementary schools and four middles schools. The District occupies the northern regions of Huntington Beach and small segments of Westminster, Midway City, and Fountain Valley. There are no boundary changes during the year.

**GOVERNING BOARD**

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Ms. Gina Clayton-Tarvin | President | 2024 |
| Ms. Patricia Singer | Vice President | 2022 |
| Mr. Jack C. Sounders | Clerk | 2022 |
| Mr. John Briscoe | Member | 2022 |
| Mr. Norm Westwell | Member | 2024 |

| ADMINISTRATION | |
|---|---|
| Dr. Michael Conroy | Superintendent |
| Dr. Keither Farrow | Deputy Superintendent, Administrative Services |
| Ms. Reagan Headrick | Associate Superintendent, Human Resources |
| Ms. Julianne Hoefer | Assistant Superintendent, Educational Services |

| | Final Report | | As Adjusted per Audit | |
|---|---|---|---|---|
| | Second Period Report 4A58ADFA | Annual Report 1E6BF6F2 | Second Period Report | Annual Report |
| Regular ADA | | | | |
| Transitional kindergarten through third | 2,639.54 | 2,645.24 | 2,623.40 | 2,629.62 |
| Fourth through sixth | 2,230.49 | 2,228.66 | 2,218.62 | 2,216.85 |
| Seventh and eighth | 1,579.92 | 1,575.56 | 1,566.32 | 1,561.39 |
| Total Regular ADA | 6,449.95 | 6,449.46 | 6,408.34 | 6,407.86 |
| Extended Year Special Education | | | | |
| Transitional kindergarten through third | 0.82 | 0.82 | 0.82 | 0.82 |
| Fourth through sixth | 1.06 | 1.06 | 1.06 | 1.06 |
| Seventh and eighth | 0.18 | 0.18 | 0.18 | 0.18 |
| Total Extended Year Special Education | 2.06 | 2.06 | 2.06 | 2.06 |
| Special Education, Nonpublic, Nonsectarian Schools | | | | |
| Transitional kindergarten through third | 0.91 | 0.91 | 0.91 | 0.91 |
| Fourth through sixth | 0.92 | 1.22 | 0.92 | 1.22 |
| Seventh and eighth | 2.09 | 1.66 | 2.09 | 1.66 |
| Total Special Education, Nonpublic, Nonsectarian Schools | 3.92 | 3.79 | 3.92 | 3.79 |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools | | | | |
| Transitional kindergarten through third | 0.02 | 0.09 | 0.02 | 0.09 |
| Fourth through sixth | 0.12 | 0.07 | 0.12 | 0.07 |
| Seventh and eighth | 0.35 | 0.33 | 0.35 | 0.33 |
| Total Extended Year Special Education, Nonpublic, Nonsectarian Schools | 0.49 | 0.49 | 0.49 | 0.49 |
| Total ADA | 6,456.42 | 6,455.80 | 6,414.81 | 6,414.20 |

# Ocean View School District
## Schedule of Instructional Time
## Year Ended June 30, 2022

| Grade Level | 1986-1987 Minutes Requirement | 2021-2022 Actual Minutes | Number of Minutes Credited From J-13A | Total Minutes Offered | Traditional Calendar: Number of Actual Days | Traditional Calendar: Number of Minutes Credited From J-13A | Traditional Calendar: Total Days Offered | Multitrack Calendar: Number of Actual Days | Multitrack Calendar: Number of Minutes Credited From J-13A | Multitrack Calendar: Total Days Offered | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Kindergarten | 36,000 | 52,080 | - | 52,080 | 180 | - | - | 180 | - | 180 | Complied |
| Grades 1 - 3 | 50,400 | | | | | | | | | | |
| Grade 1 | - | 50,460 | - | 50,460 | 180 | - | - | 180 | - | 180 | Complied |
| Grade 2 | - | 50,460 | - | 50,460 | 180 | - | - | 180 | - | 180 | Complied |
| Grade 3 | - | 50,460 | - | 50,460 | 180 | - | - | 180 | - | 180 | Complied |
| Grades 4 - 8 | 54,000 | | | | | | | | | | |
| Grade 4 | - | 57,720 | - | 57,720 | 180 | - | - | 180 | - | 180 | Complied |
| Grade 5 | - | 57,720 | - | 57,720 | 180 | - | - | 180 | - | 180 | Complied |
| Grade 6 | - | 58,360 | - | 58,360 | 180 | - | - | 180 | - | 180 | Complied |
| Grade 7 | - | 58,360 | - | 58,360 | 180 | - | - | 180 | - | 180 | Complied |
| Grade 8 | - | 58,360 | - | 58,360 | 180 | - | - | 180 | - | 180 | Complied |

See Notes to Supplementary Information

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

| | (Budget) 2023 [1] | 2022 | 2021 [1] | 2020 [1] |
|---|---|---|---|---|
| General Fund [3] | | | | |
| Revenues | $ 98,667,380 | $ 105,559,331 | $ 100,992,286 | $ 91,774,759 |
| Expenditures | 93,530,401 | 99,145,732 | 95,958,406 | 89,036,208 |
| Other uses | 250,000 | 251,818 | 1,650,000 | 250,000 |
| Total expenditures and other uses | 93,780,401 | 99,397,550 | 97,608,406 | 89,286,208 |
| Increase in Fund Balance | 4,886,979 | 6,161,781 | 3,383,880 | 2,488,551 |
| Ending Fund Balance | $ 30,624,091 | $ 25,737,112 | $ 19,575,331 | $ 16,191,451 |
| Available Reserves [2] | $ 8,292,798 | $ 13,126,682 | $ 14,825,838 | $ 2,645,515 |
| Available Reserves as a Percentage of Total Outgo [4] | 8.84% | 13.21% | 15.19% | 2.96% |
| Long-Term Liabilities | N/A | $ 232,753,291 | $ 233,148,150 | $ 231,866,724 |
| K-12 Average Daily Attendance at P-2 | 6,364 | 6,456 | 7,464 | 7,464 |

The General Fund balance has increased by $9,545,661 over the past two years. The fiscal year 2022-2023 budget projects an increase of $4,886,979 (19.0%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and the District anticipates incurring an operating surplus during the 2022-2023 fiscal year. Total long-term liabilities have increased by $886,567 over the past two years.

Average daily attendance has decreased by 1,008 over the past two years. An additional decline of 92 ADA is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.
[3] General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.
[4] On behalf payments of $1,316,320, relating to the Senate Bill 90, have been excluded from the calculation of available reserve for the fiscal year ending June 30, 2020.

| | Student Activity Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund |
|---|---|---|---|---|
| Assets | | | | |
| Deposits and investments | $ 305,415 | $ 1,206,301 | $ 1,177,054 | $ 3,278,080 |
| Receivables | - | 8,748 | 1,097,399 | 17,582 |
| Due from other funds | - | - | 19,139 | - |
| Stores inventories | - | - | 54,037 | - |
| Total assets | $ 305,415 | $ 1,215,049 | $ 2,347,629 | $ 3,295,662 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | $ - | $ 298,711 | $ 372,797 | $ 535 |
| Due to other funds | - | 179,631 | 86,462 | - |
| Unearned revenue | - | 261,810 | - | - |
| Total liabilities | - | 740,152 | 459,259 | 535 |
| Fund Balances | | | | |
| Nonspendable | - | - | 55,037 | - |
| Restricted | 305,415 | 259,123 | 1,833,333 | 3,295,127 |
| Assigned | - | 215,774 | - | - |
| Total fund balances | 305,415 | 474,897 | 1,888,370 | 3,295,127 |
| Total liabilities and fund balances | $ 305,415 | $ 1,215,049 | $ 2,347,629 | $ 3,295,662 |

| | County School Facilities Fund | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|---|---|---|---|
| Assets | | | |
| Deposits and investments | $ 2,141,348 | $ 7,718,915 | $ 15,827,113 |
| Receivables | 1,886 | 7,199 | 1,132,814 |
| Due from other funds | - | - | 19,139 |
| Stores inventories | - | - | 54,037 |
| Total assets | $ 2,143,234 | $ 7,726,114 | $ 17,033,103 |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | $ 207,039 | $ - | $ 879,082 |
| Due to other funds | 332,105 | - | 598,198 |
| Unearned revenue | - | - | 261,810 |
| Total liabilities | 539,144 | - | 1,739,090 |
| Fund Balances | | | |
| Nonspendable | - | - | 55,037 |
| Restricted | 1,604,090 | 7,726,114 | 15,023,202 |
| Assigned | - | - | 215,774 |
| Total fund balances | 1,604,090 | 7,726,114 | 15,294,013 |
| Total liabilities and fund balances | $ 2,143,234 | $ 7,726,114 | $ 17,033,103 |

# Ocean View School District

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2022

| | Student Activity Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund |
|---|---|---|---|---|
| Revenues | | | | |
| Federal sources | $ - | $ 72,600 | $ 3,479,608 | $ - |
| Other State sources | - | 1,116,606 | 163,675 | - |
| Other local sources | 198,907 | 1,491,406 | 405,744 | 900,196 |
| Total revenues | 198,907 | 2,680,612 | 4,049,027 | 900,196 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | - | 731,925 | - | - |
| Instruction-related activities | | | | |
| Supervision of instruction | - | 56,979 | - | - |
| School site administration | - | 82,794 | - | - |
| Pupil services | | | | |
| Food services | - | - | 2,956,478 | - |
| Administration | | | | |
| All other administration | - | 168,032 | 81,105 | 4,003 |
| Plant services | - | 110,042 | - | - |
| Ancillary services | 138,894 | - | - | - |
| Community services | - | 1,412,785 | - | - |
| Facility acquisition and construction | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and other | - | - | - | - |
| Total expenditures | 138,894 | 2,562,557 | 3,037,583 | 4,003 |
| Excess (Deficiency) of Revenues Over Expenditures | 60,013 | 118,055 | 1,011,444 | 896,193 |
| Other Financing Sources | | | | |
| Transfers in | - | - | 1,818 | - |
| Other sources - premium from issuance of general obligation bonds | - | - | - | - |
| Net Financing Sources | - | - | 1,818 | - |
| Net Change in Fund Balances | 60,013 | 118,055 | 1,013,262 | 896,193 |
| Fund Balance - Beginning | 245,402 | 356,842 | 875,108 | 2,398,934 |
| Fund Balance - Ending | $ 305,415 | $ 474,897 | $ 1,888,370 | $ 3,295,127 |

| | County School Facilities Fund | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|---|---|---|---|
| Revenues | | | |
| Federal sources | $ - | $ - | $ 3,552,208 |
| Other State sources | - | - | 1,280,281 |
| Other local sources | (21,659) | 5,130,115 | 8,104,709 |
| Total revenues | (21,659) | 5,130,115 | 12,937,198 |
| Expenditures | | | |
| Current | | | |
| Instruction | - | - | 731,925 |
| Instruction-related activities | | | |
| Supervision of instruction | - | - | 56,979 |
| School site administration | - | - | 82,794 |
| Pupil services | | | |
| Food services | - | - | 2,956,478 |
| Administration | | | |
| All other administration | - | - | 253,140 |
| Plant services | 14,714 | - | 124,756 |
| Ancillary services | - | - | 138,894 |
| Community services | - | - | 1,412,785 |
| Facility acquisition and construction | 2,606,576 | - | 2,606,576 |
| Debt service | | | |
| Principal | - | 2,850,000 | 2,850,000 |
| Interest and other | - | 3,717,740 | 3,717,740 |
| Total expenditures | 2,621,290 | 6,567,740 | 14,932,067 |
| Excess (Deficiency) of Revenues Over Expenditures | (2,642,949) | (1,437,625) | (1,994,869) |
| Other Financing Sources | | | |
| Transfers in | - | - | 1,818 |
| Other sources - premium from issuance of general obligation bonds | - | 4,841,900 | 4,841,900 |
| Net Financing Sources | - | 4,841,900 | 4,843,718 |
| Net Change in Fund Balances | (2,642,949) | 3,404,275 | 2,848,849 |
| Fund Balance - Beginning | 4,247,039 | 4,321,839 | 12,445,164 |
| Fund Balance - Ending | $ 1,604,090 | $ 7,726,114 | $ 15,294,013 |

## Note 1 - Purpose of Schedules

**Schedule of Expenditures of Federal Awards (SEFA)**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Ocean View School District (the District) under programs of the federal government for the year ended June 30, 2022. The information 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). Because the schedule presents only a selected portion of the operations of the Ocean View School District, it is not intended to and does not present the net position of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District did not report any commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of the COVID-19: ARP California State Preschool Program One-Time Stipend and Supply Chain Assistance (SCA) Funds have been recorded in the current period as revenues that have not been expended as of June 30, 2022. These unspent balances are reported as legally restricted ending balances within the Child Development Fund and the Cafeteria Fund.

| | Federal Financial Assistance Listing Number | Amount |
|---|---|---|
| Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances: | | $ 14,182,680 |
| COVID-19: ARP California State Preschool Program One-time Stipend | 93.575 | (72,600) |
| Supply Chain Assistance (SCA) Funds | 10.555 | (172,134) |
| Total federal financial assistance | | $ 13,937,946 |

**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.

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

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

**Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. 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 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

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

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

**Schedule of 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.

**Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Reports
June 30, 2022

# Ocean View School District

EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's 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***

To the Governing Board
Ocean View School District
Huntington Beach, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ocean View School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Ocean View School District's basic financial statements and have issued our report thereon dated December 15, 2022.

***Adoption of New Accounting Standard***

As discussed in Notes 1 and 17 to the financial statements, the Ocean View School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and fund balance as of July 1, 2021, to restate the beginning net position and fund balance. Our opinions are not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ocean View School District's internal control over financial reporting (internal control) as a basis for designing 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 Ocean View School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ocean View School District's internal control.

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ocean View 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 financial statements. 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*.

We noted certain matters that we reported to management of Ocean View School District in a separate letter dated December 15, 2022.

**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.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Governing Board
Ocean View School District
Huntington Beach, California

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

***Opinion on Each Major Federal Program***

We have audited Ocean View School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ocean View School District's major federal programs for the year ended June 30, 2022. Ocean View 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.

In our opinion, Ocean View School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ocean View School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ocean View School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Ocean View School District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ocean View School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ocean View School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ocean View School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ocean View School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Ocean View School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

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

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

EideBailly

CPAs & BUSINESS ADVISORS

## Independent Auditor's Report on State Compliance

To the Governing Board
Ocean View School District
Huntington Beach, California

### Report on Compliance

***Qualified and Unmodified Opinions on State Compliance***

We have audited Ocean View School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

***Qualified Opinion on Attendance, Independent Study, and Expanded Learning Opportunities Grant (ELO-G)***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

***Unmodified Opinion on Each of the Other Programs***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Matters Giving Rise to Qualified Opinion on Attendance, Independent Study, and Expanded Learning Opportunities Grant (ELO-G)***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Attendance, Independent Study, and Expanded Learning Opportunities Grant (ELO-G) as described in the accompanying schedule of state compliance findings and questioned costs as items 2022-001 and 2022-002.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements

referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and.
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

| 2021-2022 K-12 Audit Guide Procedures | Procedures Performed |
|---|---|
| Local Education Agencies Other Than Charter Schools | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| Continuation Education | No, see below |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | No, see below |
| GANN Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | No, see below |
| Middle or Early College High Schools | No, see below |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, see below |
| School Districts, County Offices of Education, and Charter Schools | |
| California Clean Energy Jobs Act | No, see below |
| 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 | No, see below |
| Immunizations | Yes, see below |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | No, see below |
| In Person Instruction Grant | Yes |

| 2021-2022 K-12 Audit Guide Procedures | Procedures Performed |
|---|---|
| Charter Schools | |
| Attendance | No, see below |
| Mode of Instruction | No, see below |
| Nonclassroom-Based Instruction/Independent Study | No, see below |
| Determination of Funding for Nonclassroom-Based Instruction | No, see below |
| Annual Instructional Minutes – Classroom Based | No, see below |
| Charter School Facility Grant Program | No, see below |

The District does not have any Continuation Education Schools; therefore, we did not perform procedures related to Continuation Education.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District was not listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and 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**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 state 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 state 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other 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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

Schedule of Findings and Questioned Costs
June 30, 2022

# Ocean View School District

**Financial Statements**

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Noncompliance material to financial statements noted? | No |

**Federal Awards**

| | |
|---|---|
| Internal control over major program | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a) | No |

Identification of major programs

| Name of Federal Program or Cluster | Federal Financial Assistance Listing Number |
|---|---|
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 |
| School Improvement Funding for LEAs | 84.010 |
| COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D |
| COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 84.425D |
| COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 84.425U |
| COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve | 84.425D |
| COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs | 84.425D |
| COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund Learning Loss | 84.425U |
| COVID-19: Governor's Emergency Education Relief Fund: Learning Loss Mitigation | 84.425C |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**State Compliance**

| | |
|---|---|
| Internal control over state compliance programs | |
| Material Weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Type of auditor's report issued on compliance for programs | Qualified |

Unmodified for all programs except for the following programs which were qualified:

| Name of Program |
|---|
| Attendance |
| Independent Study |
| Expanded Learning Opportunities Grant Program |

None reported.

None reported.

The following finding represents instances of noncompliance and significant deficiencies that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

| Five Digit Code | AB 3627 Finding Type |
|---|---|
| 10000 | Attendance |
| 40000 | State Compliance |

**2022-001 10000 and 40000 (Attendance and Independent Study)**

**Criteria or Specific Requirements**

Pursuant to *California Education Code* Section 51745.6, the ratio of average daily attendance for independent study pupils 18 years of age or less to school district full-time equivalent certificated employees responsible for independent study, calculated as specified by the department, shall not exceed the equivalent ratio of average daily attendance to full-time equivalent (FTE) certificated employees providing instruction in other educational programs operated by the school district. In addition, Pursuant to California Education Code Section 42238.02, the Second Period (P2) and Annual (PA) reports of attendance submitted to the California Department of Education must reconcile back to supporting documents that the Local Educational Agency (LEA) has prepared in connection with the calculation of its Average Daily Attendance (ADA) reported on each of the reporting line items.

**Condition**

Upon review of the District's Long-Term Independent Study Ratio it was noted that the District exceeded the comparative ratio of 17.9 ADA to 1 FTE, which resulted in excess ADA of 41.6. As a result, the District overstated the ADA on their P2 and PA reports of attendance.

Prior to adjustment:

| Regular ADA | Second Period | Annual |
|---|---|---|
| TK-3 | 2,639.54 | 2,645.24 |
| 4-6 | 2,230.49 | 2,228.66 |
| 7-8 | 1,579.92 | 1,575.56 |
| Total Regular ADA | 6,449.95 | 6,449.46 |

Post adjustment

| Regular ADA | Second Period | Annual |
|---|---|---|
| TK-3 | 2,623.40 | 2,629.62 |
| 4-6 | 2,218.62 | 2,216.85 |
| 7-8 | 1,566.32 | 1,561.39 |
| Total Regular ADA | 6,408.34 | 6,407.86 |

**Questioned Costs**

The estimated penalty is $404,119. The estimated penalty was calculated using the CDE's LCFF Derived Value of ADA by Grade Span. However, it should be noted that for fiscal year 2021-2022 the District was funded based on prior year ADA.

| Grade Span | Excess ADA | Derived Value of ADA | Total |
|---|---|---|---|
| Tk-3 | 16.14 | $ 10,123.67 | $ 163,396.03 |
| 4-6 | 11.86 | 9,307.88 | 110,391.46 |
| 7-8 | 13.60 | 9,583.21 | 130,331.66 |
| Total | 41.60 | | $ 404,119.15 |

**Context**

The condition was identified during our review of the District's Long-Term Independent Study Ratio, P2, and PA attendance reports and the supporting documents.

**Effect**

The District overreported Total Regular ADA (Line A-1) on their P2 and PA.

**Cause**

The District did not monitor its internal staffing requirements to maintain the required ADA to FTE ratio.

**Repeat Finding**

No

**Recommendation**

The District should periodically monitor its independent study ratio throughout the year to ensure compliance with the comparative ratio of ADA to FTE.

**Corrective Action Plan and Views of Responsible Officials**

The District will revise our average daily attendance (ADA) figures at the next available reporting window; however, the District plans to appeal the audit finding considering OVSD reduced in-person class sizes for learning loss mitigation and social distancing. The District offered full-time independent study, or virtual academy, during the 2020-21 and 2021-22 school years to address family concerns surrounding the pandemic and in-person instruction. The FTE to ADA ratio calculation was not required for the 2020-21 school year. The District will not offer full-time independent study moving forward, starting with the 2022-23 school year, thus eliminating future FTE to ADA ratio calculations.

Implementation Date: June 30, 2023

**2022-002 40000 (Expanded Learning Opportunities Grant (ELO-G)**

**Criteria or Specific Requirements**

Per California *Education Code* section 43522(e), the District is required to submit the Expanded Learning Opportunities Grant (ELO-G) plan to the County within 5 days of adoption.

**Condition**

The District did not submit the ELO-G Plan to the County Office of Education within the required timeframe.

**Questioned Costs**

There were no questioned costs associated with the condition identified.

**Context**

The condition identified was determined through analysis and testing of the ELO-G plan and communications with the District. The plan was not submitted to the County.

**Effect**

The District has not complied with the requirements of California Education Code Section 43522(e).

**Cause**

The District was unaware the plan needed to be submitted to the County within the required timeframe.

**Repeat Finding**

No

**Recommendation**

It is recommended that the District implement procedures to ensure that the District personnel review requirements and submit plans within the timeframe as noted in Education Code section 43522(e).

**Corrective Action Plan and Views of Responsible Officials**

The Educational Services Division in coordination with the Fiscal Department will create a shared accountability template that identifies state plans, deadline submission dates (Board Presentation/ Adoption), COE Review/ Approval dates and notes to monitor and ensure timely submissions.

Implementation Date: June 30, 2023

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

EideBailly

CPAs & BUSINESS ADVISORS

Management
Ocean View School District
Huntington Beach, California

In planning and performing our audit of the financial statements of Ocean View School District (the District) for the year ended June 30, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2022, on the government-wide financial statements of the District.

**Associated Student Body (ASB)**

*Marine View Middle School*

Observation

Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

The revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022