



*"Equity and
Excellence"*

**OCEAN VIEW
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

OCEAN VIEW SCHOOL DISTRICT

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FINANCIAL SECTION

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Ocean View School District
Huntington Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean View School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean View School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 67, schedule of changes in the District's total OPEB liability and related ratios on page 68, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 69, schedule of the District's proportionate share of the net pension liability on page 70, and the schedule of District contributions on page 71, be presented to supplement the basic financial statements. Such information, 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.

Other 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 accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the 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.

VAUGHN, TRINE, DAY & CO. LLP

Rancho Cucamonga, California
December 14, 2018

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Ocean View School District

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

Superintendent
Carol Hansen, Ed. D.

Board Of Trustees
John Briscoe, President
Gina Clayton-Tarvin, Vice President
Jack Souders, Clerk
Patricia Singer, 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, 2018, with comparative information for the year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in more detail than the District-wide statements.
 - The *Governmental Funds* statements tell how *basic* services like regular and special education were financed in the *short term*, as well as what remains for future spending.
 - The *Fiduciary Funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others (Associated Student Body).

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. District-wide statements were not required of this District prior to the 2002-2003 fiscal years.

The District-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the condition of District school buildings and other facilities.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Governmental Activities

All of the District's services are reported 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, user fees, interest income, Federal, State, and local grants, as well as proceeds from certificate of participation, finance these activities.

Figure 1-A shows how the various parts of this annual report are arranged and related to one another.

Figure 1-A. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none">• Statement of Net Position• Statement of Activities	<ul style="list-style-type: none">• Balance Sheet• Statement of Revenues, Expenditures, and Changes in Fund Balances	<ul style="list-style-type: none">• Statement of Fiduciary Net Position• Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; ASB funds do not currently contain nonfinancial assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

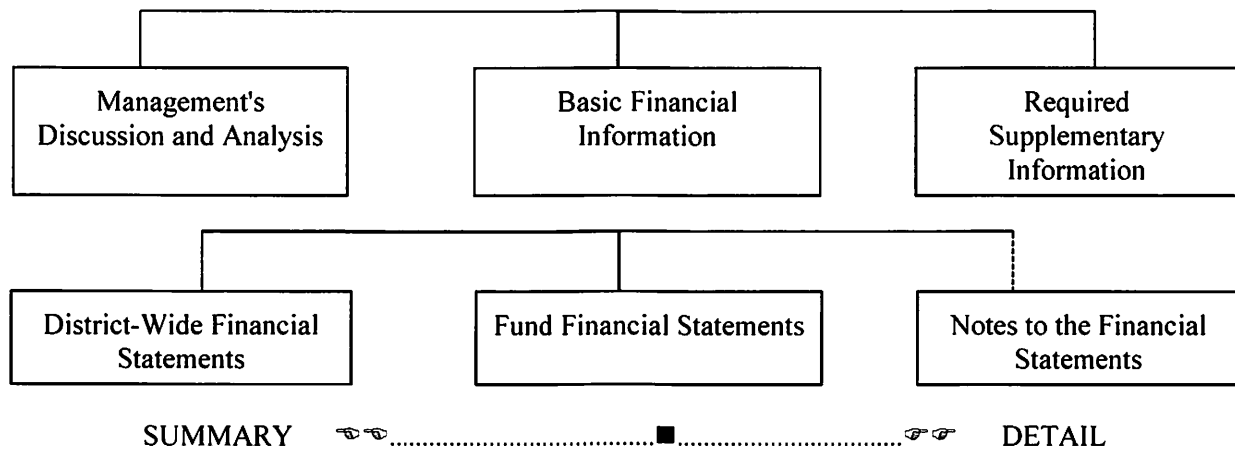
OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Figure 1-B summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain.

Figure 1-B. Organization of Ocean View School District's Annual Financial Report



The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

FINANCIAL HIGHLIGHTS

The District's financial status remains positive. The ending balance of the General Fund decreased \$2,030,048 between July 1, 2017 and June 30, 2018. The General Fund has consistently maintained a reserve for emergencies above the State mandated three percent reserve.

In 2017-2018 the Ocean View School District implemented an early retirement incentive plan to reduce salaries and staffing to coincide with reduced enrollment.

In November 2016, the Ocean View School District community approved the General Obligation Bond Measure R. The voter ballot's language stated that "Ocean View School Student Measure 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. For fiscal year 2017-2018 initial planning and implementation had begun with expenditures of \$4,042,772 and construction commitments of \$19,452,176.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was \$(5,013,206) for the fiscal year ended June 30, 2018. Of this amount, \$(94,551,168) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limit the Board of Trustees' ability to use that net position for day-to-day operations. The analysis below, focuses on the net position (Table 1) and change in the net position (Table 2) for the District's governmental activities.

Table 1

	Governmental Activities	
	2018	2017, as restated
Assets		
Current and other assets	\$ 81,429,794	\$ 78,991,791
Capital assets	98,763,086	97,443,443
Total Assets	180,192,880	176,435,234
Deferred Outflows of Resources	28,870,739	17,614,371
Liabilities		
Current liabilities	8,028,580	8,202,276
Long-term obligations	95,967,886	90,884,280
Aggregate net pension liability	102,190,870	90,864,765
Total Liabilities	206,187,336	189,951,321
Deferred Inflows of Resources	7,889,489	5,456,193
Net Position		
Net investments in capital assets	70,603,641	71,259,062
Restricted	18,934,321	12,001,274
Unrestricted (deficit)	(94,551,168)	(84,618,245)
Total Net Position (deficit)	\$ (5,013,206)	\$ (1,357,909)

The \$(94,551,168) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Change in Net Position

The District's total revenues were \$107,649,751 and total expenses were \$111,305,048. Table 2 presents total revenues and total expenses for governmental activities by category.

Table 2

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 703,373	\$ 832,445
Operating grants and contributions	18,121,773	17,013,012
Capital grants and contributions	5,746,551	2,798,461
General revenues:		
Federal and State aid not restricted	27,235,593	30,627,748
Property taxes	48,961,859	41,670,186
Other general revenues	6,880,602	7,524,039
Total Revenues	107,649,751	100,465,891
Expenses		
Instruction-related	77,932,377	71,135,407
Pupil services	8,962,757	8,669,955
Administration	7,193,177	5,546,396
Plant services	9,574,953	7,952,258
All other services	7,641,784	6,707,349
Total Expenses	111,305,048	100,011,365
Change in Net Position	\$ (3,655,297)	\$ 454,526

Property taxes and State formula aid accounted for 71 percent of the revenue from governmental activities. Another 22 percent came from operating and capital grants and contributions, and the remainder from fees charged for services and miscellaneous sources.

The District's expenses from governmental activities are predominately related to educating and caring for students (78 percent). The purely administrative activities of the District accounted for six percent of total costs. Total expenses surpassed revenues, decreasing net position by \$3,655,297 from last year.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Governmental Activities

Table 3 presents the costs of five major District activities: instruction-related activities, pupil services, administration, plant services, and all other services. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$111,305,048.

- Some of the cost was financed by the users of the District's programs (\$703,373).
- The Federal and State governments subsidized certain programs with operating grants and contributions (\$18,121,773) and capital grants and contributions of (\$5,746,551).
- Most of the District's costs, however, were financed by District taxpayers and the taxpayers of our State (\$76,197,452). This portion of governmental activities was financed with property taxes, unrestricted State aid based on the State-wide education aid formula, and other State funding.

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-related activities	\$ 77,932,377	\$ 71,135,407	\$ 58,638,128	\$ 55,182,714
Pupil services	8,962,757	8,669,955	4,971,781	4,841,600
Administration	7,193,177	5,546,396	6,641,105	4,935,993
Plant services	9,574,953	7,952,258	9,367,059	7,803,404
All other services	7,641,784	6,707,349	7,115,278	6,603,736
Total	\$ 111,305,048	\$ 100,011,365	\$ 86,733,351	\$ 79,367,447

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District established other funds to control and manage money for particular purposes (like capital facilities) or to show that it is properly using certain revenues (like cafeteria revenues).

The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Fiduciary funds - The District is trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. The main day-to-day operating fund of the District is the General Fund. The monies deposited into the General Fund represent the Federal, State, and local revenues available for the ongoing costs related to instruction, school and District administration, student transportation and regular maintenance and operations. During 2017-2018, the General Fund had revenues of \$86,739,647, and expenditures of \$88,769,695. The General Fund balance decreased by \$2,030,048 or 2.3 percent of expenditures. The General Fund has maintained additional reserves above the State required 3.0 percent reserves for many years, reflecting that the District achieves a financial balance between revenues and expenditures for its ongoing day-to-day operations.

As the District completed the year, its governmental funds reported combined fund balances of \$74,208,399.

Table 4

	Balances and Activity			
	July 01, 2017	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2018
General Fund	\$ 14,277,122	\$ 86,739,647	\$ 88,769,695	\$ 12,247,074
Building Fund	44,817,126	564,310	4,042,772	41,338,664
Child Development Fund	827,006	2,943,205	3,064,704	705,507
Cafeteria Fund	2,062,262	3,058,707	3,557,369	1,563,600
Capital Facilities Fund	5,397,479	789,663	89,308	6,097,834
County School Facilities Fund	786,594	5,746,551	312,016	6,221,129
Special Reserve Fund for Capital Outlay Projects	1,355,397	2,755,359	2,704,643	1,406,113
Bond Interest and Redemption Fund	1,554,957	4,228,954	1,155,433	4,628,478
Debt Service Fund	-	2,116,375	2,116,375	-
Total	\$ 71,077,943	\$ 108,942,771	\$ 105,812,315	\$ 74,208,399

Fiduciary Funds

The Associated Student Body funds ended the year with assets of \$291,434, consisting of \$255,469 in bank deposits and \$35,965 in stores inventories, and with liabilities of \$58,263 and \$233,171 due to student groups.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

General Fund Budgetary Highlights

Over the course of the year, the Board approves three versions of the operating budget. These budget revisions are: Adopted Budget, First Interim, and Second Interim, with the Unaudited Actuals brought forward after the year-end closing is completed.

Budget Adjustments to revenues for the year include:

- Adjustments to reflect changes to enrollment as well as projections for components of the Local Control Funding Formula (COLA and GAP Funding Rate).
- Adjustments to unrestricted Federal revenue for Medi-Cal Administrative Activities (MAA) funding received but not originally budgeted.
- Adjustments to restricted Federal revenue as the federal government finalizes allocations.
- Adjustments to State revenue to reflect the actual State Lottery income over original projections.
- Adjustments to Local revenues to reflect donations from parents and community.

The District's estimated budget includes all monies available, whereas the actual budget reflects final expenditures, which are often lower, and result in carryovers to be rolled into the following year. An example would be unspent restricted Federal and State programs and school site carryover.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2017-2018, the District invested in capital assets that included an update to the firewall for Information Technology, a District-wide replacement of the telephone system, two new mowers with trailers for the Grounds Department, an airless line striper for Maintenance, and two ovens were replaced for Food & Nutrition Services.

Total depreciation expense for the year was approximately \$2.7 million.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Long-Term Obligations

At year-end, the District had \$95,967,886 in long-term obligations outstanding versus \$90,884,280 last year, an increase of \$5,083,606 or 5.6 percent.

Table 5

	Governmental Activities	
	2018	2017, as Restated
General obligation bonds (financed with property taxes)	\$ 45,000,000	\$ 45,000,000
Premium on general obligation bonds	1,790,036	1,854,349
Certificates of participation	22,545,000	23,920,000
Premium on certificates of participation	188,860	223,108
Discount on certificates of participation	(41,443)	(44,896)
Compensated absences	814,317	767,936
Capitalized lease obligations	15,656	48,946
Supplemental early retirement plan	3,236,500	-
Net other postemployment benefits (OPEB) liability	22,418,960	19,114,837
Total	\$ 95,967,886	\$ 90,884,280

Net Pension Liability (NPL)

At year-end, the District had \$102,190,870 in pension liability versus \$90,864,765 last year, an increase of \$11,326,105 or 12.5 percent.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Ocean View School District's enrollment saw a decrease in 2017-2018 like many other districts in California. Fluctuation in enrollment impacts the District's revenue. The District continues to make expenditure adjustments to assist in compensating for the loss in revenue and will continue to maintain a reserve level above the minimum level required. The District is also impacted by the increasing CalSTRS and CalPERS pension liabilities without any additional or new revenue stream.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact:

Michael Conroy, Ed D., Deputy Superintendent
Ocean View School District
17200 Pinehurst Lane
Huntington Beach, California 92647

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	\$ 75,169,712
Receivables	6,140,529
Stores inventories	119,553
Total Current Assets	81,429,794
Capital Assets:	
Land and construction in progress	18,773,950
Other capital assets	143,838,672
Less: Accumulated depreciation	(63,849,536)
Total Capital Assets	98,763,086
Total Assets	180,192,880
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	243,745
Deferred outflows of resources related to pensions	28,626,994
Total Deferred Outflows of Resources	28,870,739
LIABILITIES	
Accounts payable	6,863,551
Accrued interest	807,185
Unearned revenue	357,844
Long-term obligations:	
Current portion of long-term obligations other than pensions	5,632,956
Noncurrent portion of long-term obligations other than pensions	90,334,930
Total Long-Term Obligations	95,967,886
Aggregate net pension liability	102,190,870
Total Liabilities	206,187,336
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	7,889,489
NET POSITION	
Net investments in capital assets	70,603,641
Restricted for:	
Debt service	3,821,293
Capital projects	12,318,963
Educational programs	617,722
Other activities	2,176,343
Unrestricted (deficit)	(94,551,168)
Total Net Position (deficit)	\$ (5,013,206)

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

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 67,616,404	\$ 306	\$ 12,172,254	\$ 5,746,551	\$ (49,697,293)
Instruction-related activities:					
Supervision of instruction	2,922,547	341	964,129	-	(1,958,077)
Instructional library, media, and technology	1,101,401	-	2,231	-	(1,099,170)
School site administration	6,292,025	391	408,046	-	(5,883,588)
Pupil services:					
Home-to-school transportation	2,462,086	-	-	-	(2,462,086)
Food services	3,447,225	656,042	2,224,377	-	(566,806)
All other pupil services	3,053,446	910	1,109,647	-	(1,942,889)
Administration:					
Data processing	966,032	-	-	-	(966,032)
All other administration	6,227,145	34,355	517,717	-	(5,675,073)
Plant services	9,574,953	-	207,894	-	(9,367,059)
Ancillary services	52,891	-	2,490	-	(50,401)
Community services	2,204,317	-	-	-	(2,204,317)
Interest on long-term obligations	2,321,125	-	-	-	(2,321,125)
Other outgo	399,791	11,028	512,988	-	124,225
Depreciation (unallocated) ¹	2,663,660	-	-	-	(2,663,660)
Total Governmental Activities	\$ 111,305,048	\$ 703,373	\$ 18,121,773	\$ 5,746,551	(86,733,351)
General Revenues and Subventions:					
Property taxes, levied for general purposes					44,144,406
Taxes levied for debt service					4,195,591
Taxes levied for other specific purposes					621,862
Federal and State aid not restricted to specific purposes					27,235,593
Interest and investment earnings					602,762
Miscellaneous					6,277,840
Subtotal, General Revenues					83,078,054
Change in Net Position					(3,655,297)
Net Position - Beginning, as Restated					(1,357,909)
Net Position - Ending					\$ (5,013,206)

¹ This amount excludes any depreciation that is included in the direct expenses of the various programs.

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

OCEAN VIEW SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 12,671,544	\$ 42,101,288	\$ 20,396,880	\$ 75,169,712
Receivables	4,562,644	76,417	1,501,468	6,140,529
Due from other funds	377,555	-	402	377,957
Stores inventories	27,789	-	91,764	119,553
Total Assets	\$ 17,639,532	\$ 42,177,705	\$ 21,990,514	\$ 81,807,751
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,173,632	\$ 838,952	\$ 850,967	\$ 6,863,551
Due to other funds	402	89	377,466	377,957
Unearned revenue	218,424	-	139,420	357,844
Total Liabilities	5,392,458	839,041	1,367,853	7,599,352
Fund Balances:				
Nonspendable	74,789	-	92,764	167,553
Restricted	617,722	41,338,664	19,123,784	61,080,170
Assigned	1,837,988	-	1,406,113	3,244,101
Unassigned	9,716,575	-	-	9,716,575
Total Fund Balances	12,247,074	41,338,664	20,622,661	74,208,399
Total Liabilities and Fund Balances	\$ 17,639,532	\$ 42,177,705	\$ 21,990,514	\$ 81,807,751

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

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total Fund Balance - Governmental Funds		\$ 74,208,399
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:	\$ 162,612,622	
Accumulated depreciation is:	<u>(63,849,536)</u>	
Net Capital Assets		98,763,086
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(807,185)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	8,432,551	
Net change in proportionate share of net pension liability	52,637	
Differences between projected and actual earnings on pension plan investments	1,045,452	
Differences between expected and actual experience in the measurement of the total pension liability	1,348,857	
Changes of assumptions	<u>17,747,497</u>	
Total Deferred Outflows of Resources Related to Pensions		28,626,994
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(4,361,657)	
Differences between projected and actual earnings on pension plan investments	(1,916,749)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,255,264)	
Changes of assumptions	<u>(355,819)</u>	
Total Deferred Inflows of Resources Related to Pensions		(7,889,489)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to OPEB at year-end consist of changes of assumptions.		243,745

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

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued) JUNE 30, 2018

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

\$ (102,190,870)

Long-term obligations are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bonds	\$ (45,000,000)
Premium on issuance of general obligation bonds	(1,790,036)
Certificates of participation	(22,545,000)
Premium on issuance of certificates of participation	(188,860)
Discount on issuance of certificates of participation	41,443
Compensated absences	(814,317)
Capital lease	(15,656)
Supplemental early retirement plan	(3,236,500)
Net other postemployment benefits (OPEB) liability	<u>(22,418,960)</u>

Total Long-Term Obligations (95,967,886)

Total Net Position - Governmental Activities \$ (5,013,206)

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

OCEAN VIEW SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 68,185,761	\$ -	\$ -	\$ 68,185,761
Federal sources	4,779,648	-	2,124,279	6,903,927
Other State sources	7,106,030	-	6,683,475	13,789,505
Other local sources	6,668,208	564,310	10,714,685	17,947,203
Total Revenues	86,739,647	564,310	19,522,439	106,826,396
EXPENDITURES				
Current				
Instruction	60,510,704	-	543,916	61,054,620
Instruction-related activities:				
Supervision of instruction	2,658,668	-	72,214	2,730,882
Instructional library, media, and technology	1,024,418	-	-	1,024,418
School site administration	5,801,117	-	42,590	5,843,707
Pupil services:				
Home-to-school transportation	2,335,885	-	-	2,335,885
Food services	-	-	3,349,613	3,349,613
All other pupil services	2,834,082	-	-	2,834,082
Administration:				
Data processing	931,752	-	-	931,752
All other administration	4,197,252	-	370,351	4,567,603
Plant services	8,004,073	1,378,941	415,442	9,798,456
Ancillary services	49,713	-	-	49,713
Community services	2,282	-	2,062,472	2,064,754
Other outgo	399,791	-	-	399,791
Facility acquisition and construction	-	2,663,831	741,067	3,404,898
Debt service				
Principal	19,290	-	1,389,000	1,408,290
Interest and other	668	-	1,896,808	1,897,476
Total Expenditures	88,769,695	4,042,772	10,883,473	103,695,940
Excess (Deficiency) of Revenues Over Expenditures	(2,030,048)	(3,478,462)	8,638,966	3,130,456
Other Financing Sources (Uses)				
Transfers in	-	-	2,116,375	2,116,375
Transfers out	-	-	(2,116,375)	(2,116,375)
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(2,030,048)	(3,478,462)	8,638,966	3,130,456
Fund Balances - Beginning	14,277,122	44,817,126	11,983,695	71,077,943
Fund Balances - Ending	\$ 12,247,074	\$ 41,338,664	\$ 20,622,661	\$ 74,208,399

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

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	3,130,456
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 expenses in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	\$	4,249,612
Depreciation expense		<u>(2,663,660)</u>
Net Expense Adjustment		1,585,952
Cost write-off for canceled capital projects: If a planned capital project is canceled, costs previously capitalized as work in progress must be written off to expense. Costs written off for canceled projects were \$266,309.		(266,309)
In the Statement of Activities, compensated absences (vacations) and special termination benefits (supplemental early retirement plan) 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). Vacation earned was more than the amounts used by \$46,381. Special termination benefits added was more than the amount paid by \$3,236,500.		(3,282,881)
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 net pension liability during the year.		(2,746,778)
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.		(3,060,378)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Certificates of participation		1,375,000
Capital lease obligations		33,290

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

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2018

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	\$	98,561	
Amortization of debt discount		<u>(3,453)</u>	
Combined Adjustment			\$ 95,108

Interest on long-term obligations 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. Accrued interest on the general obligation bonds and the certificates of participation increased by \$518,757.

Change in Net Position of Governmental Activities

	(518,757)
	<u>\$ (3,655,297)</u>

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

OCEAN VIEW SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Agency Funds Student Funds
ASSETS	
Deposits and investments	\$ 255,469
Stores inventories	35,965
Total Assets	\$ 291,434
LIABILITIES	
Accounts payable	\$ 58,263
Due to student groups	233,171
Total Liabilities	\$ 291,434

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

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 eight as mandated by the State and Federal agencies. The District operates eleven 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, child care operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The District and the Ocean View School District Facilities Corporation (the Corporation), as represented by the Certificates of Participations, have a financial and operational relationship which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activity of the Corporation is presented in the financial statements as the Debt Service Fund. The Certificates of Participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

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 two broad fund categories: governmental and fiduciary.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 a special revenue fund in the California State Accounting Manual (CSAM) does 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 is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has 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, revenues, and expenditures and other uses of \$976,560, \$12,665, and \$269,921, respectively.

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.

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.

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).

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.).

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).

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 obligations.

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

Debt Service Fund The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligations.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the District and for each governmental program, and excludes fiduciary activity. 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. 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 funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a 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 statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statement because they do not represent resources of the District.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, 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 held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at the lower of cost or market, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the fiduciary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund and capital assets are the same as those used for the capital assets of governmental funds.

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

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.

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. 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.

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 for pension related items.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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.

Fund Balances - Governmental Funds

As of June 30, 2018, 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.

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

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 one-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 liabilities. 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 \$18,934,321 of restricted net position, which is 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 on the financial statements. Interfund transfers are eliminated in the governmental activities columns 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 March 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 and become delinquent after November 1. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 75,169,712
Fiduciary funds	255,469
Total Deposits and Investments	<u>\$ 75,425,181</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 323,502
Cash in revolving	48,000
Investments	75,053,679
Total Deposits and Investments	<u>\$ 75,425,181</u>

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 (if such transactions are matched to maturity); 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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 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 \$75,053,679 with the Orange County Treasury Investment Pool that has an average weighted maturity of 302 days.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 investment with 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 the 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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2018, the District's bank balances of \$132,344 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Reported Amount	Uncategorized
Orange County Treasury Investment Pool	\$ 75,053,679	\$ 75,053,679

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 1,895,727	\$ -	\$ 391,346	\$ 2,287,073
State Government				
Categorical aid	-	-	213,486	213,486
Lottery	361,104	-	-	361,104
Special education	1,809,856	-	-	1,809,856
Local Government				
Interest	47,300	-	31,589	78,889
Other Local Sources	448,657	76,417	865,047	1,390,121
Total	<u>\$ 4,562,644</u>	<u>\$ 76,417</u>	<u>\$ 1,501,468</u>	<u>\$ 6,140,529</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 10,554,104	\$ -	\$ -	\$ 10,554,104
Construction in process	55,888,666	3,387,475	51,056,295	8,219,846
Total Capital Assets				
Not Being Depreciated	66,442,770	3,387,475	51,056,295	18,773,950
Capital Assets Being Depreciated				
Land improvements	7,173,759	-	-	7,173,759
Buildings and improvements	70,189,353	50,789,986	-	120,979,339
Furniture and equipment	15,546,521	862,137	723,084	15,685,574
Total Capital Assets				
Being Depreciated	92,909,633	51,652,123	723,084	143,838,672
Less Accumulated Depreciation				
Land improvements	6,555,203	68,805	-	6,624,008
Buildings and improvements	42,082,143	2,001,814	-	44,083,957
Furniture and equipment	13,271,614	593,041	723,084	13,141,571
Total Accumulated Depreciation	61,908,960	2,663,660	723,084	63,849,536
Governmental Activities Capital Assets, Net	\$ 97,443,443	\$ 52,375,938	\$ 51,056,295	\$ 98,763,086

Depreciation expense was charged to governmental as unallocated.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 - 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, 2018, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 89	\$ 377,466	\$ 377,555
Non-Major Governmental Funds	402	-	-	402
Total	<u>\$ 402</u>	<u>\$ 89</u>	<u>\$ 377,466</u>	<u>\$ 377,957</u>

A balance of \$189,211 is due from the Child Development Non-Major Governmental Fund to the General Fund for indirect costs.

\$ 189,211

A balance of \$11,001 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

11,001

A balance of \$174,825 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for indirect costs.

174,825

A balance of \$2,429 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

2,429

A balance of \$89 is due from the Building Fund to the General Fund for reimbursement of project costs.

89

A balance of \$402 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for payroll, benefits and other operating expenditures.

402

\$ 377,957

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

The Special Reserve Non-Governmental Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for the debt service payments.

\$ 2,116,375

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	\$ 3,887,765	\$ -	\$ 494,684	\$ 4,382,449	\$ -
Materials and supplies	137,179	-	12,088	149,267	-
Services	403,170	466,564	156,571	1,026,305	-
Construction	-	370,220	187,000	557,220	-
LCFF apportionment	496,842	-	-	496,842	-
Other vendor payables	248,676	2,168	624	251,468	58,263
Total	<u>\$ 5,173,632</u>	<u>\$ 838,952</u>	<u>\$ 850,967</u>	<u>\$ 6,863,551</u>	<u>\$ 58,263</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 217,275	\$ -	\$ 217,275
Other local	1,149	139,420	140,569
Total	<u>\$ 218,424</u>	<u>\$ 139,420</u>	<u>\$ 357,844</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance Junly 1, 2017, as restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 45,000,000	\$ -	\$ -	\$ 45,000,000	\$ 3,535,000
Premium on general obligation bonds	1,854,349	-	64,313	1,790,036	-
Certificates of participation	23,920,000	-	1,375,000	22,545,000	1,435,000
Premium on certificates of participation	223,108	-	34,248	188,860	-
Discount on certificates of participation	(44,896)	-	(3,453)	(41,443)	-
Compensated absences	767,936	46,381	-	814,317	-
Capital leases	48,946	-	33,290	15,656	15,656
Supplemental early retirement plan	-	3,236,500	-	3,236,500	647,300
Net other postemployment benefits (OPEB) liability	19,114,837	3,841,536	537,413	22,418,960	-
	<u>\$ 90,884,280</u>	<u>\$ 7,124,417</u>	<u>\$ 2,040,811</u>	<u>\$ 95,967,886</u>	<u>\$ 5,632,956</u>

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 Debt Service Fund. Capital leases for District equipment and portable buildings are paid by the General Fund, and capital leases for portable buildings used in the Child Care Program are paid by the Child Development Fund. The accrued vacation will be paid by the fund for which the employee worked. Supplemental early retirement plan and net other postemployment (OPEB) liability are paid by the General Fund.

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 percent. 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, 2018, the principal balance outstanding of the 2016 General Obligation Bonds, Series A was \$45,000,000. Unamortized premium as of June 30, 2018, was \$1,790,036.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The Bonds mature through 2047 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 3,535,000	\$ 1,697,800	\$ 5,232,800
2020	2,610,000	1,610,250	4,220,250
2021	3,375,000	1,473,675	4,848,675
2022	1,100,000	1,361,800	2,461,800
2023	1,255,000	1,302,925	2,557,925
2024-2028	2,085,000	6,068,125	8,153,125
2029-2033	3,315,000	5,472,125	8,787,125
2034-2038	6,235,000	4,437,250	10,672,250
2039-2043	10,005,000	2,944,637	12,949,637
2044-2047	11,485,000	842,168	12,327,168
Total	<u>\$ 45,000,000</u>	<u>\$ 27,210,755</u>	<u>\$ 72,210,755</u>

2010 Refunding Certificates of Participation

On February 26, 2010, the Corporation issued the 2010 Refunding Certificates of Participation in the amount of \$6,875,000 with interest rates ranging from 3.0 to 4.25 percent. 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, 2018, the outstanding balance on the 2010 Refunding Certificates of Participation was \$2,500,000. As of June 30, 2018, the unamortized premium received on issuance amounted to \$93,929.

2014 Certificates of Participation

On June 19, 2014, the Corporation issued the 2014 Certificates of Participation in the amount of \$10,720,000 with interest rates ranging from 3.0 to 3.375 percent. 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, 2018, the outstanding balance on the 2014 Certificates of Participation was \$9,040,000. As of June 30, 2018, the unamortized premium received on issuance amounted to \$94,931.

2015 Certificates of Participation

On August 26, 2015, the Corporation issued the 2015 Certificates of Participation in the amount of \$11,870,000 with interest rates ranging from 3.0 to 4.0 percent. 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, 2018, the outstanding balance on the 2015 Certificates of Participation was \$11,005,000. As of June 30, 2018, the unamortized discount on issuance amounted to \$41,443.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The 2010, 2014, and 2015 certificates mature through 2030, as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,435,000	\$ 690,775	\$ 2,125,775
2020	1,515,000	638,075	2,153,075
2021	1,605,000	578,325	2,183,325
2022	1,680,000	529,349	2,209,349
2023	1,755,000	486,025	2,241,025
2024-2028	9,935,000	1,652,675	11,587,675
2029-2030	4,620,000	219,163	4,839,163
Total	<u>\$ 22,545,000</u>	<u>\$ 4,794,387</u>	<u>\$ 27,339,387</u>

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2018, amounted to \$814,317.

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Equipment	Modulars	Total
Balance, Beginning of Year	\$ 21,622	\$ 28,000	\$ 49,622
Payments	(19,958)	(14,000)	(33,958)
Balance, End of Year	<u>\$ 1,664</u>	<u>\$ 14,000</u>	<u>\$ 15,664</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	\$ 15,664
Less: Amount Representing Interest	(8)
Present Value of Minimum Lease Payments	<u>\$ 15,656</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 percent 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
2019	\$ 647,300
2020	647,300
2021	647,300
2022	647,300
2023	647,300
Total	<u>\$ 3,236,500</u>

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 21,826,223	\$ 243,745	\$ 3,138,661
Medicare Premium Payment (MPP) Program	592,737	-	(78,283)
Total	<u>\$ 22,418,960</u>	<u>\$ 243,745</u>	<u>\$ 3,060,378</u>

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	38
Active employees	595
	<u>633</u>

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 Ocean View School District's Governing Board (the Governing Board) has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Ocean View Teacher 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 2017-2018, the District paid \$459,130 in benefits.

Total OPEB Liability of the District

The total OPEB liability of \$21,826,223 was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.98 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2.98 percent
Healthcare cost trend rates	7.00 percent for 2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Mortality rates were based on the 2017 CalSTRS Mortality Table for certificated employees and the 2015 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 18,443,817
Service cost	1,058,553
Interest	661,107
Changes of benefit terms	1,847,041
Changes of assumptions	274,835
Benefit payments	(459,130)
Net change in total OPEB liability	3,382,406
Balance at June 30, 2018	\$ 21,826,223

Changes to the benefits terms: benefit eligibility was changed to a minimum age of 55 with ten or more years of service for all future retirees.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent in 2017 to 2.98 percent in 2018.

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 discount rate:

Discount Rate	Total OPEB Liability
1% decrease (1.98%)	\$ 19,976,663
Current discount rate (2.98%)	21,826,223
1% increase (3.98%)	23,792,583

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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:

<u>Health Care Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (6.0%)	\$ 19,175,404
Current healthcare cost trend rate (7.0%)	21,826,223
1% increase (8.0%)	24,945,208

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,138,661. At June 30, 2018, the District reported deferred outflows of resources for changes of assumptions of \$243,745.

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2019	\$ 31,090
2020	31,090
2021	31,090
2022	31,090
2023	31,090
Thereafter	88,295
	<u>\$ 243,745</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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, 2016, 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) 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, benefit payments 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, 2018, the District reported a liability of \$592,737 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2017 and June 30, 2016, respectively, was 0.1409 percent and 0.1434 percent, resulting in a decrease of 0.0025 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(78,283).

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Methods and Assumptions

The net OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 net OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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 the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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, 2017 and 2016, 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the net OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the net OPEB liability.

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 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 OPEB Liability
1% decrease (2.58%)	\$ 656,202
Current discount rate (3.58%)	592,737
1% increase (4.58%)	531,005

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 current discount rate as well as what the net pension 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 (2.7% Part A and 3.1% Part B)	\$ 535,629
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	592,737
1% increase (4.7% Part A and 5.1% Part B)	649,275

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 47,000	\$ -	\$ 1,000	\$ 48,000
Stores inventories	27,789	-	91,764	119,553
Total Nonspendable	74,789	-	92,764	167,553
Restricted				
Legally restricted programs	617,722	-	2,176,343	2,794,065
Capital projects	-	41,338,664	12,318,963	53,657,627
Debt services	-	-	4,628,478	4,628,478
Total Restricted	617,722	41,338,664	19,123,784	61,080,170
Assigned				
Health benefits pool	140,000	-	-	140,000
School site, donations, and departments carryover	308,474	-	-	308,474
Payroll increase	480,582	-	-	480,582
Deferred maintenance projects	908,932	-	-	908,932
Capital projects	-	-	1,406,113	1,406,113
Total Assigned	1,837,988	-	1,406,113	3,244,101
Unassigned				
Reserve for economic uncertainties	2,778,023	-	-	2,778,023
Remaining unassigned	6,938,552	-	-	
Total Unassigned	9,716,575	-	-	9,716,575
Total	\$ 12,247,074	\$ 41,338,664	\$ 20,622,661	\$ 74,208,399

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2019	\$ 2,253,762
2020	2,036,233
2021	2,060,564
2022	1,393,749
2023	1,415,444
2024-2028	3,678,181
2029-2033	2,753,125
2034-2038	2,862,500
2039-2043	3,128,125
2044-2048	3,237,500
Thereafter	14,121,250
Total	<u>\$ 38,940,433</u>

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Alliance of Schools for Cooperative Insurance Programs 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.

Worker's Compensation

For fiscal year 2018, 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 Programs (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 13 - 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, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 71,969,514	\$ 19,474,090	\$ 6,619,067	\$ 6,589,245
CalPERS	30,221,356	9,152,904	1,270,422	4,590,084
Total	<u>\$ 102,190,870</u>	<u>\$ 28,626,994</u>	<u>\$ 7,889,489</u>	<u>\$ 11,179,329</u>

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, 2016, 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>.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 percent 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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

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 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$5,822,110.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

At June 30, 2018, 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:

District's proportionate share of net pension liability	\$ 71,969,514
State's proportionate share of the net pension liability associated with the District	42,576,556
Total	<u>\$ 114,546,070</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.0778 percent and 0.0806 percent, resulting in a net decrease in the proportionate share of 0.0028 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$6,589,245. In addition, the District recognized pension expense and revenue of \$4,285,739 for support provided by the State. At June 30, 2018, 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	\$ 5,822,110	\$ -
Net change in proportionate share of net pension liability	52,637	3,447,054
Difference between projected and actual earnings on pension plan investments	-	1,916,749
Differences between expected and actual experience in the measurement of the total pension liability	266,150	1,255,264
Changes of assumptions	13,333,193	-
Total	<u>\$ 19,474,090</u>	<u>\$ 6,619,067</u>

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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
2019	\$ (1,593,465)
2020	1,205,782
2021	173,866
2022	(1,702,932)
Total	<u>\$ (1,916,749)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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
2019	\$ 1,371,106
2020	1,371,106
2021	1,371,106
2022	1,371,108
2023	1,503,860
Thereafter	1,961,376
Total	<u>\$ 8,949,662</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 percent) and assuming 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 105,674,094
Current discount rate (7.10%)	71,969,514
1% increase (8.10%)	44,615,962

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, 2016 annual actuarial valuation report, 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>.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	6.50%
Required employer contribution rate	15.531%	15.531%

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 the 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, 2018, are presented above and the total District contributions were \$2,610,441.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,221,356. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.1266 percent and 0.1299 percent, resulting in a net decrease in the proportionate share of 0.0033 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$4,590,084. At June 30, 2018, 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	\$ 2,610,441	\$ -
Net change in proportionate share of net pension liability	-	914,603
Difference between projected and actual earnings on pension plan investments	1,045,452	-
Differences between expected and actual experience in the measurement of the total pension liability	1,082,707	-
Changes of assumptions	4,414,304	355,819
Total	\$ 9,152,904	\$ 1,270,422

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
2019	\$ (28,328)
2020	1,206,224
2021	440,044
2022	(572,488)
Total	\$ 1,045,452

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,383,837
2020	1,442,476
2021	1,400,276
Total	<u>\$ 4,226,589</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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%)	\$ 44,465,299
Current discount rate (7.15%)	30,221,356
1% increase (8.15%)	18,404,812

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 or an alternative plan. The District has elected to use 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 \$3,462,384 (9.328 percent 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. On behalf payments have been included in the calculation of available reserves.

NOTE 14 - 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, 2018.

Litigation

The District is involved in various litigations 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, 2018.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
09 Modernizations	\$ 47,077	12/01/18
Sun View ES - Interim Housing	3,411,843	03/01/19
Pleasant View/OVPP - Interim Housing	5,344	03/01/19
Oak View ES - Gym	5,606,072	01/01/20
Westmont ES - Modernization	13,934,989	01/01/20
	<u>\$ 23,005,325</u>	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the, 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, property/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 available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$824,486, \$6,485,305, and \$1,480,647 to the Western 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 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements

Net Position - Beginning	\$ 4,672,944
Inclusion of Net other postemployment benefits (OPEB) liability from the adoption of GASB Statement No. 75	(6,030,853)
Net Position - Beginning as Restated	<u>\$ (1,357,909)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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OCEAN VIEW SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 68,114,294	\$ 68,263,236	\$ 68,185,761	\$ (77,475)
Federal sources	3,762,397	4,542,801	4,779,648	236,847
Other State sources	5,886,047	7,132,208	7,106,030	(26,178)
Other local sources	5,272,346	6,492,420	6,668,208	175,788
Total Revenues ¹	83,035,084	86,430,665	86,739,647	308,982
EXPENDITURES				
Current				
Certificated salaries	41,086,446	41,278,117	40,959,780	318,337
Classified salaries	16,419,318	15,645,348	16,103,583	(458,235)
Employee benefits	20,058,859	20,063,844	19,857,746	206,098
Books and supplies	3,942,378	5,422,630	4,080,951	1,341,679
Services and operating expenditures	6,307,128	7,872,852	7,558,197	314,655
Other outgo	66,575	69,051	55,713	13,338
Capital outlay	79,020	144,037	153,725	(9,688)
Total Expenditures ¹	87,959,724	90,495,879	88,769,695	1,726,184
Excess (Deficiency) of Revenues Over Expenditures	(4,924,640)	(4,065,214)	(2,030,048)	2,035,166
Other Financing Uses				
Transfers out	(250,000)	(250,000)	-	250,000
NET CHANGE IN FUND BALANCE	(5,174,640)	(4,315,214)	(2,030,048)	2,285,166
Fund Balance - Beginning	14,277,122	14,277,122	14,277,122	-
Fund Balance - Ending	\$ 9,102,482	\$ 9,961,908	\$ 12,247,074	\$ 2,285,166

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.

See accompanying note to required supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
Plan OPEB Liability	
Interest	\$ 1,058,553
Changes of benefit terms	661,107
Difference between expected and actual experience	1,847,041
Changes of assumptions	274,835
Benefit payments	(459,130)
Net change in total OPEB liability	<u>3,382,406</u>
Total OPEB liability - beginning	<u>18,443,817</u>
Total OPEB liability - ending (a)	<u><u>\$ 21,826,223</u></u>
 Covered payroll	 <u>N/A¹</u>
 District's total OPEB liability as a percentage of covered payroll	 <u>N/A¹</u>

¹ The District's 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.

See accompanying note to required supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1409%</u>
District's proportionate share of the net OPEB liability	<u>\$ 592,737</u>
District's covered-employee payroll	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

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.

See accompanying note to required supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0778%	0.0806%
District's proportionate share of the net pension liability	\$ 71,969,514	\$ 65,203,930
State's proportionate share of the net pension liability associated with the District	42,576,556	37,119,434
Total	<u>\$ 114,546,070</u>	<u>\$ 102,323,364</u>
District's covered - employee payroll	<u>\$ 40,833,188</u>	<u>\$ 39,393,075</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	176.25%	165.52%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1266%	0.1299%
District's proportionate share of the net pension liability	\$ 30,221,356	\$ 25,660,835
District's covered - employee payroll	\$ 15,428,298	\$ 15,574,399
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	195.88%	164.76%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0837%</u>	<u>0.0836%</u>
\$ 56,334,655	\$ 48,824,373
<u>29,794,822</u>	<u>29,482,264</u>
<u>\$ 86,129,477</u>	<u>\$ 78,306,637</u>
<u>\$ 37,924,471</u>	<u>\$ 37,497,499</u>
<u>148.54%</u>	<u>130.21%</u>
<u>74%</u>	<u>77%</u>
<u>0.1364%</u>	<u>0.1370%</u>
<u>\$ 20,112,330</u>	<u>\$ 15,558,329</u>
<u>\$ 15,147,003</u>	<u>\$ 14,372,498</u>
<u>132.78%</u>	<u>108.25%</u>
<u>79%</u>	<u>83%</u>

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 5,822,110	\$ 5,136,815
Contributions in relation to the contractually required contribution	<u>5,822,110</u>	<u>5,136,815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 40,347,263</u>	<u>\$ 40,833,188</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
 CalPERS		
Contractually required contribution	\$ 2,610,441	\$ 2,142,682
Contributions in relation to the contractually required contribution	<u>2,610,441</u>	<u>2,142,682</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 16,807,939</u>	<u>\$ 15,428,298</u>
Contributions as a percentage of covered - employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 4,226,877	\$ 3,367,693
<u>4,226,877</u>	<u>3,367,693</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 39,393,075	\$ 37,924,471
<u>10.73%</u>	<u>8.88%</u>
\$ 1,845,099	\$ 1,783,241
<u>1,845,099</u>	<u>1,783,241</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 15,574,399	\$ 15,147,003
<u>11.847%</u>	<u>11.771%</u>

OCEAN VIEW SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 State 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 schedules present information for the original and final budgets and actual 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, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – Benefit eligibility was changed to a minimum age of 55 with ten or more years of service for all future retirees

Change of assumptions – The discount rate from 3.13 percent in 2017 to 2.98 percent in 2017.

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 2.85 percent to 3.58 percent since the previous valuation.

OCEAN VIEW SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District 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.

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SUPPLEMENTARY INFORMATION

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OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA 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	\$ 1,527,490
Title II, Part A, Supporting Effective Instruction	84.367	14341	279,835
Title III, Immigrant Student Program	84.365	15146	18,995
Title III, English Learner Student Program	84.365	14346	290,360
Passed through West Orange County Consortium for Special Education:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,352,743
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	12,549
Preschool Grants, Part B, Sec 619	84.173	13430	80,520
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	285,983
Preschool Staff Development, Part B, Sec 619	84.173A	13431	841
Subtotal Special Education (IDEA) Cluster			<u>1,732,636</u>
State Improvement Grant, Improving Special Ed Systems	84.323	14920	<u>1,923</u>
Total U.S. Department of Education			<u>3,851,239</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,469,597
Especially Needy Breakfast	10.553	13390	421,776
Seamless Summer Food Options	10.559	13396	22,978
Commodities	10.555	13396	128,296
Subtotal Child Nutrition Cluster			<u>2,042,647</u>
Child and Adult Care Food Program	10.558	13666	<u>81,632</u>
Total U.S. Department of Agriculture			<u>2,124,279</u>
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES			
Medicaid Cluster:			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	427,168
Passed through Orange County Department of Education:			
Medi-Cal Administrative Activities	93.778	10060	<u>363,691</u>
Subtotal Medicaid Cluster			<u>790,859</u>
Total U.S. Department of Health and Human Services			<u>790,859</u>
Total Expenditures of Federal Awards			<u>\$ 6,766,377</u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Jack Souders	President	2018
Mr. John Briscoe	Vice President	2018
Ms. Gina Clayton-Tarvin	Clerk	2020
Mr. Joseph Gaglione	Member	2018
Mr. Norm Westwell	Member	2020

ADMINISTRATION

Dr. Carol Hansen	Superintendent
Dr. Michael Conroy	Deputy Superintendent, Administrative Services
Mr. Felix Avila	Assistant Superintendent, Human Resources
Ms. Jodee Brentlinger	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report 3E2D2BA7	Annual Report 11D9DF79
Regular ADA		
Transitional kindergarten through third	3,417.02	3,424.48
Fourth through sixth	2,619.43	2,613.48
Seventh and eighth	1,931.67	1,928.92
Total Regular ADA	7,968.12	7,966.88
Extended Year Special Education		
Transitional kindergarten through third	7.35	7.35
Fourth through sixth	3.82	3.82
Seventh and eighth	1.89	1.89
Total Extended Year Special Education	13.06	13.06
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.84	0.98
Fourth through sixth	2.99	3.67
Seventh and eighth	1.00	0.99
Total Special Education, Nonpublic, Nonsectarian Schools	5.83	5.64
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.19	0.19
Fourth through sixth	0.62	0.62
Seventh and eighth	0.28	0.28
Total Extended Special Education, Nonpublic, Nonsectarian Schools	1.09	1.09
Total ADA	7,988.10	7,986.67

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	51,490	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,570	180	N/A	Complied
Grade 2		50,570	180	N/A	Complied
Grade 3		50,570	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		57,940	180	N/A	Complied
Grade 5		57,940	180	N/A	Complied
Grade 6		58,960	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		58,960	180	N/A	Complied
Grade 8		58,960	180	N/A	Complied

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

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OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 ¹	2018	2017	2016
GENERAL FUND ³				
Revenues	\$ 86,728,119	\$ 86,726,982	\$ 87,688,324	\$ 88,265,976
Expenditures	86,406,591	88,249,774	86,047,552	84,124,896
Other uses and transfers out	250,000	250,000	250,000	500,000
Total Expenditures and Other Uses	86,656,591	88,499,774	86,297,552	84,624,896
INCREASE (DECREASE) IN FUND BALANCE	\$ 71,528	\$ (1,772,792)	\$ 1,390,772	\$ 3,641,080
ENDING FUND BALANCE	\$ 11,342,042	\$ 11,270,514	\$ 13,043,306	\$ 11,652,534
AVAILABLE RESERVES ²	\$ 6,738,821	\$ 9,716,575	\$ 2,656,801	\$ 2,538,773
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	7.78%	10.98%	3.08%	3.00%
LONG-TERM OBLIGATIONS ⁴	N/A	\$ 95,967,886	\$ 90,884,280	\$ 38,027,023
K-12 AVERAGE DAILY ATTENDANCE AT P-2	7,822	7,988	8,204	8,436

The General Fund balance has decreased by \$382,020 over the past two years. The fiscal year 2018-2019 budget projects an increase of \$71,528 (0.63 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$57,940,863 over the past two years.

Average daily attendance has decreased by 488 over the past two years. An additional decline of 166 ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 is 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 Long-term obligations have been restated for the year ending June 30, 2018 as a result of the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS				
Deposits and investments	\$ 1,140,688	\$ 1,124,701	\$ 6,116,694	\$ 6,236,369
Receivables	171,568	784,808	11,204	8,472
Due from other funds	-	402	-	-
Stores inventories	-	91,764	-	-
Total Assets	<u>\$ 1,312,256</u>	<u>\$ 2,001,675</u>	<u>\$ 6,127,898</u>	<u>\$ 6,244,841</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 327,200	\$ 200,738	\$ 30,064	\$ 23,712
Due to other funds	200,212	177,254	-	-
Unearned revenue	79,337	60,083	-	-
Total Liabilities	<u>606,749</u>	<u>438,075</u>	<u>30,064</u>	<u>23,712</u>
Fund Balances:				
Nonspendable	-	92,764	-	-
Restricted	705,507	1,470,836	6,097,834	6,221,129
Assigned	-	-	-	-
Total Fund Balances	<u>705,507</u>	<u>1,563,600</u>	<u>6,097,834</u>	<u>6,221,129</u>
Total Liabilities and Fund Balances	<u>\$ 1,312,256</u>	<u>\$ 2,001,675</u>	<u>\$ 6,127,898</u>	<u>\$ 6,244,841</u>

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 1,160,312	\$ 4,618,116	\$ 20,396,880
515,054	10,362	1,501,468
-	-	402
-	-	91,764
<u>\$ 1,675,366</u>	<u>\$ 4,628,478</u>	<u>\$ 21,990,514</u>
\$ 269,253	\$ -	\$ 850,967
-	-	377,466
-	-	139,420
<u>269,253</u>	<u>-</u>	<u>1,367,853</u>
-	-	92,764
-	4,628,478	19,123,784
1,406,113	-	1,406,113
<u>1,406,113</u>	<u>4,628,478</u>	<u>20,622,661</u>
<u>\$ 1,675,366</u>	<u>\$ 4,628,478</u>	<u>\$ 21,990,514</u>

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES				
Federal sources	\$ -	\$ 2,124,279	\$ -	\$ -
Other State sources	767,950	149,045	-	5,681,649
Other local sources	2,175,255	785,383	789,663	64,902
Total Revenues	2,943,205	3,058,707	789,663	5,746,551
EXPENDITURES				
Current				
Instruction	543,916	-	-	-
Instruction-related activities:				
Supervision of instruction	72,214	-	-	-
School site administration	42,590	-	-	-
Pupil services:				
Food services	-	3,349,613	-	-
Administration:				
All other administration	189,211	174,825	6,315	-
Plant services	140,301	-	-	134,937
Community services	2,062,472	-	-	-
Facility acquisition and construction	-	32,931	82,993	177,079
Debt service				
Principal	14,000	-	-	-
Interest and other	-	-	-	-
Total Expenditures	3,064,704	3,557,369	89,308	312,016
Excess (Deficiency) of Revenues Over Expenditures	(121,499)	(498,662)	700,355	5,434,535
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(121,499)	(498,662)	700,355	5,434,535
Fund Balances - Beginning	827,006	2,062,262	5,397,479	786,594
Fund Balances - Ending	\$ 705,507	\$ 1,563,600	\$ 6,097,834	\$ 6,221,129

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 2,124,279
57,855	26,976	-	6,683,475
2,697,504	4,201,978	-	10,714,685
2,755,359	4,228,954	-	19,522,439
-	-	-	543,916
-	-	-	72,214
-	-	-	42,590
-	-	-	3,349,613
-	-	-	370,351
140,204	-	-	415,442
-	-	-	2,062,472
448,064	-	-	741,067
-	-	1,375,000	1,389,000
-	1,155,433	741,375	1,896,808
588,268	1,155,433	2,116,375	10,883,473
2,167,091	3,073,521	(2,116,375)	8,638,966
-	-	2,116,375	2,116,375
(2,116,375)	-	-	(2,116,375)
(2,116,375)	-	2,116,375	-
50,716	3,073,521	-	8,638,966
1,355,397	1,554,957	-	11,983,695
\$ 1,406,113	\$ 4,628,478	\$ -	\$ 20,622,661

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 Medi-Cal Billing Options funds have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 6,903,927
Medi-Cal Billing Option	93.778	(137,550)
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,766,377</u>

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 neither met nor exceeded 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 46206.

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

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

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

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INDEPENDENT AUDITOR'S REPORTS

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**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***

Governing Board
Ocean View School District
Huntington Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ocean View School District (the District) as of and for the year ended June 30, 2018, 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 14, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 District'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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ocean View School District in a separate letter dated December 14, 2018.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VAUGHN, TRINE, RAY & CO. LLP

Rancho Cucamonga, California
December 14, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Ocean View School District
Huntington Beach, California

Report on Compliance for Each Major Federal Program

We have audited Ocean View School District's (the District) compliance with the types of compliance requirements described 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, 2018. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ocean View School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Ocean View School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ocean View School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

VAUGHN, TRINE, DAY & CO. LLP

Rancho Cucamonga, California
December 14, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Ocean View School District
Huntington Beach, California

Report on State Compliance

We have audited Ocean View School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Ocean View School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Ocean View School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Ocean View School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Ocean View School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

The District is an elementary school district and does not offer continuation education program; therefore, we did not perform procedures related to the Continuation Education Program.

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 any procedures related to Juvenile Court Schools.

The District does not offer a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

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

VAUGHN, TRNS. BY + CO. LLP

Rancho Cucamonga, California
December 14, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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OCEAN VIEW SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, and 84.173A	Special Education (IDEA) Cluster
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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OCEAN VIEW SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
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, 2018, 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 14, 2018, on the government-wide financial statements of the District.

INTERNAL CONTROL

Cash Receipts – General Clearing

Observation

Cash collected by school sites or departments is not accounted for properly. Cash collections are not supported by sub-receipts or logs that agree the total to the cash count sheet. 19 of 53 deposits tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money by all school sites or departments. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies utilize a triplicate receipts book or a log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Observation

Per review of the supporting documents pertaining to the District's General Fund local revenues, it was noted that 17 of 53 deposits tested were not deposited in a timely manner. Based on our review of sample transmittals selected for testing, it appears that delay in deposits ranged from 11 to 25 days. The delay in cash deposits can increase the probability of theft, loss, or misappropriation.

Recommendation

The District should adhere to its established procedures related to frequency of deposits. The frequency of deposits may need to be increased depending on the volume and amount of cash collected. At a minimum, the District should try and make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

Observation

Cash collections that occur at school sites are not receipted at the time funds are collected. For 20 of 53 receipts deposits tested, it was noted that the school site completed a triplicate receipt on the date the clerk is ready to process the deposit batch.

Recommendation

The school sites are already utilizing a triplicate receipt book, but should adhere to established procedures, ensuring that receipts are issued at the time funds are received. The original copy of the receipt should be given to the payee at the time the payment is made. This process will ensure that all deposits are made intact, timely, and sequentially.

Cash Receipts – Food Services

Observation

Per review of the supporting documents pertaining to the District's Food Services local revenues, it was noted that for 30 of 40 deposits tested the site staff performed the register close-out procedures alone. Not having a second person present during this process creates an opportunity for cash to be misappropriated.

Recommendation

It is recommended that the Food Services Department revise deposit close-out procedures to require two people to perform the close-out together with both signing off on the cash count sheet to deter misappropriation of cash. It is highly recommended that a video monitoring system be utilized to frequently monitor for the ability to deter misappropriation of cash.

Observation

During our review of the cafeteria clearing and merchant bank reconciliations, we noted that the reconciliations are being reviewed by an independent individual; however, there were several uncleared deposits on both bank reconciliations.

Recommendation

The District should investigate as to the cause of these deposits appearing on the reconciliation as uncleared. In addition, the District should either provide necessary training to the reviewer of the bank reconciliations or ensure an individual with working knowledge of bank reconciliations is responsible for the review. The independent review ensures the accuracy and completeness of the bank reconciliation as the reviewer may be able to identify errors or modifications that the preparer has made.

Cash Receipts – Child Care

Observation

The Account Clerk currently performs the register close-out procedures alone. Not having a second person present during this process creates an opportunity for cash to be misappropriated.

Recommendation

It is recommended that the Child Care Department revise deposit close-out procedures to require two people to perform the close-out together and with both signing off on the cash count sheet to deter misappropriation of cash.

Cash Receipts – Ocean View Preparatory Preschool (OVPP)

Observation

During our review of the cash collection procedures for OVPP, it was noted that there appears to be a lack of segregation of duties. The individual in charge of collecting cash also records the collection in the system, deposit the funds into the District's bank account, and reconciles the account. Not having proper segregation of duties creates an opportunity for cash to be misappropriated.

Recommendation

It is recommended that the District revise their procedures over cash collection, input, deposits, and account reconciliation to ensure proper segregation of duties are established. It is also recommended that the person collecting the cash is different from the person that inputs the collections into the system and deposits the money. It is highly recommended that a video monitoring system be utilized to frequently monitor for the ability to deter misappropriation of cash.

Observation

Per review of the District's OVPP bank account reconciliations for the clearing account, it was noted that the reconciliations prepared during the current year were not reviewed by a party other than the employee preparing the bank reconciliation.

Recommendation

Independent review of prepared bank reconciliation should always be performed by an individual with accounting knowledge to ensure proper monitoring of the District's OVPP clearing activities. Upon reviewing the reconciliation, the reviewer should sign and date the reconciliation to indicate it was reviewed. The review process will help identify any errors that may have otherwise gone unidentified.

Observation

Per review of the cash collection and reconciliation procedures, it was noted that the deposits are not reconciled to the EZ Care system report to ensure the deposit is made intact.

Recommendation

The District should revise their depositing procedures to utilize the EZ Care system reports to reconcile the deposit batches to ensure the deposits are made intact. In addition, the system report along with the cash count sheets should be forwarded to the Fiscal Services department for an independent review prior to posting the deposit to the general ledger.

Observation

For 3 of 8 deposits tested, the site staff performed the register close-out procedures alone. Not having a second person present during this process creates an opportunity for cash to be misappropriated.

Recommendation

It is recommended that the OVPP revise deposit close-out procedures to require two people to perform the close-out together with both signing off on the cash count sheet to deter misappropriation of cash.

Observation

Checks received by OVPP are not accounted for properly. Checks are not supported by sub-receipts or log indicating the original date the checks were received. Without having sub-receipts or logs the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money. If utilizing a log, the date of receipt, check number, the students name, and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes.

Observation

Sub-receipts are being used out of sequence. The sub-receipts #50480 – 50499 were issued out of sequence.

Recommendation

The Office Manager should issue receipts in a numerical order. This will allow the Office Manager to perform an accurate reconciliation of the sub-receipts and cash being remitted.

Non-Payroll Disbursements – Travel and Conference

Observation

Three of 40 travel and conference disbursements were not preapproved. This could potentially lead to expenditures of questionable nature if disbursements are not pre-approved.

Recommendation

The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request and reimbursement form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

Vacation Accrual

Observation

During the review of the District's vacation accruals, the auditor tested 30 employees to test controls over vacation usage and accruals. Two of 30 employees tested had accrual balances higher than allotted by the collective bargaining contract agreement. The collective bargaining contract agreement has a carryover policy of 18 months' worth of carryover for a 12-month employee.

Recommendation

The District should adhere to its collective bargaining contract agreement's policy over maximum allowable vacation accruals. Employees that exceed the maximum allowable vacation accrual should either be encouraged to use their vacation, or excess hours should be paid out to decrease the liability.

Benefits Reconciliation

Observation

During the review of the health and welfare benefits reconciliation process, it was noted that the benefits reconciliations are not being prepared completely. The benefits technicians are not able to reconcile the benefits for the employees due to the inaccuracies in the benefits system reports.

Recommendation

It is recommended that the District develop procedures to ensure the reports generated from the District's benefits system are accurate and usable for the purposes of reconciling to benefit invoices. This will allow the District to provide an accurate list of individuals who should be on the District's health benefits plans.

School Site Revolving Accounts

Observation

Per review of the school site revolving account activity, it was noted that the revolving accounts are excessively used for goods and services that should be procured through the District's purchasing process. Across all the school sites, on average the sites spent \$3,353 per month and a year-to-date total of \$30,173. Expenditures made via these revolving accounts circumvent the District's existing procurement procedures and can result in misappropriation of cash or school sites purchasing unallowable items.

Recommendation

The District should consider implementing procedures that would restrict the excessive usage of the revolving accounts by school sites. All disbursements should be pre-approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of the most important approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets.

Observation

During our review of the school site revolving bank reconciliations, we noted that the reconciliations are not completed in a timely manner and are not always reviewed by an individual other than the preparer. The lack of performing the reconciliations in a timely manner and an independent review may prevent errors or omissions from being detected.

Recommendation

The District should consider implementing a procedure where a designated individual performs the reconciliation and an independent individual reviews the revolving bank reconciliations. The independent review ensures the accuracy and completeness of the bank reconciliation as the reviewer may be able to identify errors or modifications that the preparer has made.

ASSOCIATED STUDENT BODY (ASB)

Marine View Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that three of four deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 16 to 34 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

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

VAUGHN, TRINE. MY + CO. LLP

Rancho Cucamonga, California
December 14, 2018

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