


# OCEAN VIEW SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT

**JUNE 30, 2013**

**OCEAN VIEW SCHOOL DISTRICT**

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# *FINANCIAL SECTION*

# INDEPENDENT AUDITORS' 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, the business-type 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, 2013, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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.



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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ocean View School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 15, and budgetary comparison information on page 57 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 nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information 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 October 25, 2013, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ocean View School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 25, 2013

"Equity and Excellence"

# Ocean View School District

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**Superintendent**
Gustavo Balderas

**Board of Trustees**
Debbie Cotton, President
John Ortiz, Clerk
John Briscoe, Member
Gina Clayton-Tarvin, Member
Tracy Pellman, 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, 2013. 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.
    - *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the District operates like business, such as child care.
    - *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 with the exception of other post employment benefits. 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 year.

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 - are 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. In the District-wide financial statements, the District's activities are divided into two categories:

**Governmental Activities**

Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State aid finance most of these activities.

**Business-Type Activities**

The District charges fees to cover the costs of certain services it provides. The District's child care program is included here.

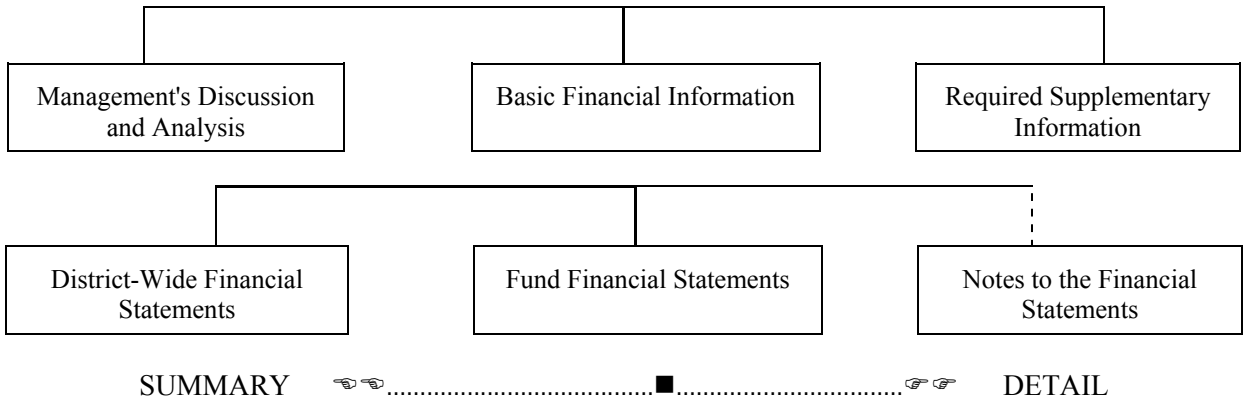
Figure 1-A shows how the various parts of this annual report are arranged and related to one another.

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

| | | Fund Statements | | |
|---|---|---|---|---|
| **Type of Statements** | **District-Wide** | **Governmental Funds** | **Proprietary Funds** | **Fiduciary Funds** |
| *Scope* | Entire District, except fiduciary activities | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: Food Services and Adult Education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| *Required financial statements* | • Statement of Net Position<br>• Statement of Activities | • Balance Sheet<br>• Statement of Revenues, Expenditures, and Changes in Fund Balances | • Statement of Net Position<br>• Statement of Revenues, Expenses, and Changes in Fund Net Position<br>• Statement of Cash Flows | • Statement of Fiduciary Net Position<br>• Statement of Changes in Fiduciary Net Position |
| *Accounting basis and measurement focus* | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| *Type of asset/liability information* | 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 financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; ASB funds do not currently contain nonfinancial assets, though they can |
| *Type of inflow/outflow information* | 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 | All revenues and expenses during the year, regardless of when cash is received or paid |

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 $1,554,895 between July 1, 2012 and June 30, 2013. The General Fund has consistently maintained a reserve for emergencies above the State mandated three percent reserve.

The Board of Trustees authorized the District to offset lost State revenue due to the State budget crisis with lease monies collected from tenants at closed school sites (short-term lease) and to fund other capital projects as well as debt service on the 2002 COP and 2010 Refunding COP with long-term lease revenue from the shopping centers built at the closed Crest View and Rancho View school sites.

The District increased its outstanding long-term obligations by $738,573 or 5.5 percent. This increase is due to Government Accounting Standard Board (GASB) Statement No. 45 which requires Other Postemployment Benefits (OPEB) to be included with long-term obligations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's combined net position was $58,810,806 for the fiscal year ended June 30, 2013. Of this amount, $5,046,697 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 and business-type activities.

**Table 1**

| | Governmental Activities | | Business-Type Activities | | School District Activities | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Assets** | | | | | | |
| Current and other assets | $ 28,910,323 | $ 29,962,042 | $ 1,007,018 | $ 789,753 | $ 29,917,341 | $ 30,751,795 |
| Capital assets | 50,075,673 | 50,026,725 | 1,154,627 | 1,228,043 | 51,230,300 | 51,254,768 |
| **Total Assets** | **78,985,996** | **79,988,767** | **2,161,645** | **2,017,796** | **81,147,641** | **82,006,563** |
| **Liabilities** | | | | | | |
| Current liabilities | 7,894,765 | 5,879,914 | 261,196 | 326,389 | 8,155,961 | 6,206,303 |
| Long-term obligations | 14,096,874 | 13,344,301 | 84,000 | 98,000 | 14,180,874 | 13,442,301 |
| **Total Liabilities** | **21,991,639** | **19,224,215** | **345,196** | **424,389** | **22,336,835** | **19,648,604** |
| **Net Position** | | | | | | |
| Net investments in capital assets | 44,235,088 | 43,573,054 | 1,070,627 | 1,130,043 | 45,305,715 | 44,703,097 |
| Restricted | 8,458,394 | 7,336,007 | - | - | 8,458,394 | 7,336,007 |
| Unrestricted | 4,300,875 | 9,855,491 | 745,822 | 463,364 | 5,046,697 | 10,318,855 |
| **Total Net Position** | **$ 56,994,357** | **$ 60,764,552** | **$ 1,816,449** | **$ 1,593,407** | **$ 58,810,806** | **$ 62,357,959** |

The $5,046,697 in unrestricted net position of governmental and business-type activities represents the accumulated results of all past years' operations.

### Change in Net Position

The District's total revenues were $79,505,733 and total expenses were $83,052,886. Table 2 presents total revenues and total expenses for governmental activities and business-type activities by category.

**Table 2**

| | Governmental Activities | | Business-Type Activities | | School District Activities | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 1,138,939 | $ 1,090,859 | $ 1,841,075 | $ 1,752,718 | $ 2,980,014 | $ 2,843,577 |
| Operating grants and contributions | 14,308,945 | 16,707,574 | 683,600 | 775,048 | 14,992,545 | 17,482,622 |
| Capital grants and contributions | 8,470 | 11,968 | - | - | 8,470 | 11,968 |
| General revenues: | | | | | | |
| Federal and State aid not restricted | 8,118,747 | 8,710,247 | - | - | 8,118,747 | 8,710,247 |
| Property taxes | 30,231,310 | 26,694,878 | - | - | 30,231,310 | 26,694,878 |
| Other State revenues | 16,759,226 | 20,654,232 | - | - | 16,759,226 | 20,654,232 |
| Other general revenues | 6,411,829 | 7,756,689 | 3,592 | 3,913 | 6,415,421 | 7,760,602 |
| **Total Revenues** | **76,977,466** | **81,626,447** | **2,528,267** | **2,531,679** | **79,505,733** | **84,158,126** |
| **Expenses** | | | | | | |
| Instruction-related | 58,833,974 | 61,613,010 | 2,305,225 | 2,429,268 | 61,139,199 | 64,042,278 |
| Student support services | 7,159,215 | 6,991,658 | - | - | 7,159,215 | 6,991,658 |
| Administration | 4,315,804 | 4,424,391 | - | - | 4,315,804 | 4,424,391 |
| Maintenance, operations and facilities | 7,687,855 | 8,169,796 | - | - | 7,687,855 | 8,169,796 |
| Other | 2,750,813 | 2,785,489 | - | - | 2,750,813 | 2,785,489 |
| **Total Expenses** | **80,747,661** | **83,984,344** | **2,305,225** | **2,429,268** | **83,052,886** | **86,413,612** |
| **Change in Net Position** | **$ (3,770,195)** | **$ (2,357,897)** | **$ 223,042** | **$ 102,411** | **$ (3,547,153)** | **$ (2,255,486)** |

Property taxes and State formula aid accounted for 50 percent of the revenue from governmental activities. Another 40 percent came from operating grants and contributions and other State revenues, 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 (82 percent). The purely administrative activities of the District accounted for five percent of total costs. Total expenses surpassed revenues, decreasing net position by $3,547,153 from last year.

**Governmental Activities**

Table 3 presents the costs of five major District activities: instruction-related, student support services, administration, plant services, and 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 $80,747,661.

- Some of the cost was financed by the users of the District's programs ($1,138,939).
- The Federal and State governments subsidized certain programs with grants and contributions ($14,308,945).
- Most of the District's costs, however, were financed by District taxpayers and the taxpayers of our State ($55,109,283). This portion of governmental activities was financed with property taxes, unrestricted State aid based on the State-wide education aid formula, other State funding, investment earnings and miscellaneous revenues.

**Table 3**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Instruction-related activities | $ 58,833,974 | $ 61,613,010 | $ 48,543,002 | $ 48,741,256 |
| Student support services | 7,159,215 | 6,991,658 | 2,692,447 | 2,691,960 |
| Administration | 4,315,804 | 4,424,391 | 3,855,486 | 3,935,692 |
| Plant services | 7,687,855 | 8,169,796 | 7,540,264 | 8,121,571 |
| Other | 2,750,813 | 2,785,489 | 2,660,108 | 2,683,464 |
| **Total** | **$ 80,747,661** | **$ 83,984,344** | **$ 65,291,307** | **$ 66,173,943** |

**Business-Type Activities**

Revenues of the District's business-type activities were $2,528,267, and expenses were $2,305,225.

**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 three 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.

***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.

***Proprietary funds*** - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

## 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 2012-2013, the General Fund had revenues of $70,205,611, and expenses of $73,303,692. After factoring in transfers and other uses, the General Fund balance decreased by $1,554,895 or 2.1 percent of expenses. 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 $20,881,150.

**Table 4**

| | Balances and Activity | | | |
|---|---|---|---|---|
| | June 30, 2012 | Revenues | Expenditures | June 30, 2013 |
| General Fund | $ 12,159,140 | $ 71,748,797 | $ 73,303,692 | $ 10,604,245 |
| Capital Facilities Fund | 3,596,402 | 1,636,708 | 203,754 | 5,029,356 |
| Special Reserve Capital Outlay Fund | 4,704,628 | 2,121,630 | 4,562,123 | 2,264,135 |
| Cafeteria Fund | 1,242,136 | 3,005,048 | 2,817,867 | 1,429,317 |
| County School Facilities Fund | 2,227,597 | 8,469 | 681,969 | 1,554,097 |
| **Total** | **$ 23,929,903** | **$ 78,520,652** | **$ 81,569,405** | **$ 20,881,150** |

### Proprietary Funds

The Child Care Fund had an increase in net position of $223,042 to equal a balance of $1,816,449 during the 2012-2013 year. The ending balance is a combination of funds from the State funded preschool program and the District sponsored before and after school child care program. The ending balances are available to enhance the respective programs and provide a reserve for increased costs.

### Fiduciary Funds

The Associated Student Body funds ended the year with assets of $218,980, consisting of $179,245 in bank deposits and $39,735 in stores inventories, with liabilities of $21,963 and $197,017 due to student groups.

### 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:

- A decrease in Revenue Limit Aid as the result of a decline in enrollment.
- A decrease in Federal revenue to reflect cuts in programs including Title I and Special Education IDEA.
- Increases in other State revenue to due new programs such as the Mandated Block Grant and the After School Education and Safety grant at Oak View School. State Lottery income increased over original projections as well.
- An increase in 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 restricted Federal and State programs and school site carryover.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

During 2012-2013, the District invested $1.2 million in a broad range of capital assets. These assets included new roofs at Marine View and Haven View, as well as Maintenance, Transportation and the Warehouse. Technology additions included several tower servers, switches and firewall management equipment and service. The Food Services Department added a tray sealer and replaced two ovens. A new mower was purchased for the Grounds Department and new copier/printers were added to the BTSA and Accounting Departments. Vision Screeners were bought for Health Services and Oak View Preschool with grant funds. A new play structure at Spring View was purchased with donated funds.

An architect was contracted to begin work to repair the failed floors in the four middle school gymnasiums in 2012-2013. The preliminary phase of the modernization of eleven sites also continued during the past year.

Total depreciation expense for the year exceeded $1.7 million.

**Long-Term Obligations**

At year-end, the District had $14,180,874 in long-term obligations outstanding as shown in Table 5. The District continues to report its Other Postemployment Benefits (OPEB) obligation as required by GASB Statement No. 45 which began in 2008-2009. Table 5 also shows a premium on Certificates of Participation (COP) as a result of the refunding of the 2002 COP during the 2009-2010 fiscal year.

**Table 5**

| | Governmental Activities | | Business-Type Activities | | School District Activities | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Certificates of participation | $ 5,570,000 | $ 6,120,000 | $ - | $ - | $ 5,570,000 | $ 6,120,000 |
| Premium on certificates of participation | 222,019 | 247,637 | - | - | 222,019 | 247,637 |
| Capitalized lease obligations | 48,566 | 86,034 | 84,000 | 98,000 | 132,566 | 184,034 |
| Compensated absences | 682,583 | 727,170 | - | - | 682,583 | 727,170 |
| Other postemployment benefits | 7,573,706 | 6,163,460 | - | - | 7,573,706 | 6,163,460 |
| **Total** | **$ 14,096,874** | **$ 13,344,301** | **$ 84,000** | **$ 98,000** | **$ 14,180,874** | **$ 13,442,301** |

- The liability for compensated absences decreased by $44,587.
- The liability for other postemployment benefits increased by $1,410,246.
- The District did not issue any new long-term debt in 2012-2013.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Ocean View School District's enrollment saw a modest decrease in 2012-2013 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.

During the past years, the global, national, and State economies have continued to face major reductions. In particular, tax receipts that fund many public school activities have been affected. School districts have faced mid-year reductions and budget changes as the government agencies try to find new ways of covering their shortfalls. As a way of addressing these problems, and after considerable negotiations between the Legislature and Governor Jerry Brown, State policy makers in California enacted the Local Control Funding Formula (LCFF) to replace revenue limits and most categorical programs, commencing in 2013-2014. This sweeping reform of the State's school finance system changes how revenue will be disbursed, how school districts are accountable and will require a comprehensive plan which will include all stakeholder groups. Details and regulations of the new funding system continue to be forthcoming and the District will be revising its budget during the fiscal year adjustment reports (1st and 2nd Interims) to incorporate all changes to the new system.

## 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:

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Ocean View School District
17200 Pinehurst Lane
Huntington Beach, California 92647

## OCEAN VIEW SCHOOL DISTRICT

## STATEMENT OF NET POSITION
## JUNE 30, 2013

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Deposits and investments | $ 21,010,641 | $ 1,070,268 | $ 22,080,909 |
| Receivables | 7,461,552 | 61,934 | 7,523,486 |
| Internal balances | 125,184 | (125,184) | - |
| Stores inventories | 102,925 | - | 102,925 |
| Deferred costs on issuance | 210,021 | - | 210,021 |
| **Total Current Assets** | 28,910,323 | 1,007,018 | 29,917,341 |
| Capital Assets: | | | |
| Land and construction in progress | 21,311,087 | - | 21,311,087 |
| Other capital assets | 79,087,655 | 1,794,341 | 80,881,996 |
| Less: Accumulated depreciation | (50,323,069) | (639,714) | (50,962,783) |
| **Total Capital Assets** | 50,075,673 | 1,154,627 | 51,230,300 |
| **Total Assets** | 78,985,996 | 2,161,645 | 81,147,641 |
| **LIABILITIES** | | | |
| Accounts payable | 4,694,866 | 213,727 | 4,908,593 |
| Accrued interest | 75,613 | - | 75,613 |
| Deferred revenue | 124,286 | 47,469 | 171,755 |
| Current loans | 3,000,000 | - | 3,000,000 |
| Long-term obligations: | | | |
| Current portion of long-term obligations | 611,285 | 14,000 | 625,285 |
| Noncurrent portion of long-term obligations | 13,485,589 | 70,000 | 13,555,589 |
| **Total Liabilities** | 21,991,639 | 345,196 | 22,336,835 |
| **NET POSITION** | | | |
| Net investments in capital assets | 44,235,088 | 1,070,627 | 45,305,715 |
| Restricted for: | | | |
| Debt service | (75,613) | - | (75,613) |
| Capital projects | 6,583,453 | - | 6,583,453 |
| Educational programs | 521,237 | - | 521,237 |
| Other activities | 1,429,317 | - | 1,429,317 |
| Unrestricted | 4,300,875 | 745,822 | 5,046,697 |
| **Total Net Position** | $ 56,994,357 | $ 1,816,449 | $ 58,810,806 |

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

## OCEAN VIEW SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2013

| Functions/Programs | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Instruction | $ 50,983,849 | $ 25,235 | $ 8,982,890 | $ 8,470 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 2,272,832 | 3,465 | 1,114,389 | - |
| Instructional library, media, and technology | 824,665 | - | 3,234 | - |
| School site administration | 4,752,628 | 1,672 | 151,617 | - |
| Pupil services: | | | | |
| Home-to-school transportation | 1,972,443 | 6,954 | 819,690 | - |
| Food services | 2,627,088 | 1,047,575 | 1,730,442 | - |
| All other pupil services | 2,559,684 | - | 862,107 | - |
| Administration: | | | | |
| Data processing | 626,647 | - | - | - |
| All other administration | 3,689,157 | 47,325 | 412,993 | - |
| Plant services | 7,687,855 | 5,962 | 141,629 | - |
| Ancillary services | 42,224 | - | - | - |
| Community services | 27,603 | - | 29 | - |
| Interest on long-term obligations | 245,057 | - | - | - |
| Other outgo | 172,570 | 751 | 89,925 | - |
| Depreciation (unallocated)[1] | 2,263,359 | - | - | - |
| **Total Governmental Activities** | 80,747,661 | 1,138,939 | 14,308,945 | 8,470 |
| **Business-Type Activities:** | | | | |
| Child care services | 2,305,225 | 1,841,075 | 683,600 | - |
| **Total Business-Type Activities** | 2,305,225 | 1,841,075 | 683,600 | - |
| **Total School District** | $ 83,052,886 | $ 2,980,014 | $ 14,992,545 | $ 8,470 |
| General revenues and subventions: | | | | |
| Property taxes, levied for general purposes | | | | |
| Taxes levied for other specific purposes | | | | |
| State revenue limit apportionment | | | | |
| Federal and State aid not restricted to specific purposes | | | | |
| Interest and investment earnings | | | | |
| Miscellaneous | | | | |
| **Subtotal, General Revenues** | | | | |
| **Excess (Deficiency) of Revenues Over Expenses** | | | | |
| **Total General Revenues and Transfers** | | | | |
| **Change in Net Position** | | | | |
| Net Position - Beginning | | | | |
| Net Position - Ending | | | | |

[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.

| Net (Expenses) Revenues and Changes in Net Assets | | |
|---|---|---|
| Governmental Activities | Business-Type Activities | Total |
| $ (41,967,254) | $ - | $ (41,967,254) |
| (1,154,978) | - | (1,154,978) |
| (821,431) | - | (821,431) |
| (4,599,339) | - | (4,599,339) |
| (1,145,799) | - | (1,145,799) |
| 150,929 | - | 150,929 |
| (1,697,577) | - | (1,697,577) |
| (626,647) | - | (626,647) |
| (3,228,839) | - | (3,228,839) |
| (7,540,264) | - | (7,540,264) |
| (42,224) | - | (42,224) |
| (27,574) | - | (27,574) |
| (245,057) | - | (245,057) |
| (81,894) | - | (81,894) |
| (2,263,359) | - | (2,263,359) |
| (65,291,307) | - | (65,291,307) |
| - | 219,450 | 219,450 |
| - | 219,450 | 219,450 |
| (65,291,307) | 219,450 | (65,071,857) |
| 30,231,310 | - | 30,231,310 |
| 450,606 | - | 450,606 |
| 16,759,226 | - | 16,759,226 |
| 8,118,747 | - | 8,118,747 |
| 89,715 | 3,592 | 93,307 |
| 5,871,508 | - | 5,871,508 |
| 61,521,112 | 3,592 | 61,524,704 |
| (3,770,195) | 223,042 | (3,547,153) |
| 61,521,112 | 3,592 | 61,524,704 |
| (3,770,195) | 223,042 | (3,547,153) |
| 60,764,552 | 1,593,407 | 62,357,959 |
| $ 56,994,357 | $ 1,816,449 | $ 58,810,806 |

## OCEAN VIEW SCHOOL DISTRICT

## GOVERNMENTAL FUNDS
## BALANCE SHEET
## JUNE 30, 2013

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposits and investments | $ 11,109,867 | $ 4,326,420 | $ 5,574,354 | $ 21,010,641 |
| Receivables | 6,298,324 | 738,921 | 424,307 | 7,461,552 |
| Due from other funds | 244,843 | - | 2,592 | 247,435 |
| Stores inventories | 56,477 | - | 46,448 | 102,925 |
| **Total Assets** | $ 17,709,511 | $ 5,065,341 | $ 6,047,701 | $ 28,822,553 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | $ 4,017,122 | $ 34,552 | $ 643,192 | $ 4,694,866 |
| Due to other funds | 7,771 | 1,433 | 113,047 | 122,251 |
| Other current liabilities | 3,000,000 | - | - | 3,000,000 |
| Deferred revenue | 80,373 | - | 43,913 | 124,286 |
| **Total Liabilities** | 7,105,266 | 35,985 | 800,152 | 7,941,403 |
| **Fund Balances:** | | | | |
| Nonspendable | 107,477 | - | 47,448 | 154,925 |
| Restricted | 521,237 | 5,029,356 | 2,935,966 | 8,486,559 |
| Assigned | 7,835,070 | - | 2,264,135 | 10,099,205 |
| Unassigned | 2,140,461 | - | - | 2,140,461 |
| **Total Fund Balances** | 10,604,245 | 5,029,356 | 5,247,549 | 20,881,150 |
| **Total Liabilities and Fund Balances** | $ 17,709,511 | $ 5,065,341 | $ 6,047,701 | $ 28,822,553 |

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, 2013

| | | |
|---|---|---|
| **Total Fund Balance - Governmental Funds** | | **$ 20,881,150** |
| **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: | $ 100,398,742 | |
| Accumulated depreciation is: | (50,323,069) | |
| Net Capital Assets | | 50,075,673 |
| Expenditures relating to issuance and refunding of debt were recognized on the modified accrual basis. Under the accrual basis, these expenditures are capitalized and will be amortized as an adjustment to interest expense. | | 210,021 |
| 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. | | (75,613) |
| Long-term obligations at year-end consist of: | | |
| Certificates of participation | (5,570,000) | |
| Premium on certificates of participation | (222,019) | |
| Compensated absences | (682,583) | |
| Capital lease obligations | (48,566) | |
| Other postemployment benefits (OPEB) | (7,573,706) | |
| Total Long-Term Obligations | | (14,096,874) |
| **Total Net Position - Governmental Activities** | | **$ 56,994,357** |

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, 2013

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Revenue limit sources | $ 46,990,536 | $ - | $ - | $ 46,990,536 |
| Federal sources | 3,989,565 | - | 1,764,790 | 5,754,355 |
| Other State sources | 12,407,578 | - | 143,647 | 12,551,225 |
| Other local sources | 6,817,932 | 1,636,708 | 3,226,710 | 11,681,350 |
| **Total Revenues** | 70,205,611 | 1,636,708 | 5,135,147 | 76,977,466 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Instruction | 50,029,283 | - | - | 50,029,283 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 2,240,015 | - | - | 2,240,015 |
| Instructional library, media and technology | 821,188 | - | - | 821,188 |
| School site administration | 4,657,770 | - | - | 4,657,770 |
| Pupil services: | | | | |
| Home-to-school transportation | 1,950,166 | - | - | 1,950,166 |
| Food services | - | - | 2,707,301 | 2,707,301 |
| All other pupil services | 2,523,263 | - | - | 2,523,263 |
| Administration: | | | | |
| Data processing | 635,629 | - | - | 635,629 |
| All other administration | 3,524,844 | 41,627 | 110,566 | 3,677,037 |
| Plant services | 6,662,572 | 120,277 | 833,419 | 7,616,268 |
| Facility acquisition and construction | - | 41,850 | 2,071,399 | 2,113,249 |
| Ancillary services | 41,545 | - | - | 41,545 |
| Community services | 609 | - | - | 609 |
| Other outgo | 172,570 | - | - | 172,570 |
| Debt service | | | | |
| Principal | 37,468 | - | 550,000 | 587,468 |
| Interest and other | 6,770 | - | 246,088 | 252,858 |
| **Total Expenditures** | 73,303,692 | 203,754 | 6,518,773 | 80,026,219 |
| **Excess (Deficiency) of Revenues Over Expenditures** | (3,098,081) | 1,432,954 | (1,383,626) | (3,048,753) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 1,543,186 | - | 796,088 | 2,339,274 |
| Transfers out | - | - | (2,339,274) | (2,339,274) |
| **Net Financing Sources (Uses)** | 1,543,186 | - | (1,543,186) | - |
| **NET CHANGE IN FUND BALANCES** | (1,554,895) | 1,432,954 | (2,926,812) | (3,048,753) |
| **Fund Balances - Beginning** | 12,159,140 | 3,596,402 | 8,174,361 | 23,929,903 |
| **Fund Balances - Ending** | $ 10,604,245 | $ 5,029,356 | $ 5,247,549 | $ 20,881,150 |

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, 2013

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | | **$ (3,048,753)** |
| **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 depreciation exceeds capital outlay in the period. | | |
| Depreciation expense | $ 2,312,307 | |
| Capital outlays | (2,263,359) | |
| Net Expense Adjustment | | 48,948 |
| Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution. | | (1,410,246) |
| In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation earned was less than the amounts used by $44,587. | | 44,587 |
| 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 | | 550,000 |
| Capital lease obligations | | 37,468 |

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, 2013

| | | |
|---|---|---|
| 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 | $ 25,618 | |
| Amortization of deferred costs on issuance | (24,233) | |
| Combined Adjustment | | $ 1,385 |
| 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 certificates of participation decreased by $6,416. | | 6,416 |
| **Change in Net Position of Governmental Activities** | | **$ (3,770,195)** |

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

## OCEAN VIEW SCHOOL DISTRICT

## PROPRIETARY FUNDS
## STATEMENT OF NET POSITION
## FOR THE YEAR ENDED JUNE 30, 2013

| | Business-Type Activities Child Care |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Deposits and investments | $ 1,070,268 |
| Receivables | 61,934 |
| Due from other funds | 5,179 |
| **Total Current Assets** | 1,137,381 |
| **Noncurrent Assets** | |
| Capital assets | 1,794,341 |
| Less: Accumulated depreciation | (639,714) |
| **Total Noncurrent Assets** | 1,154,627 |
| **Total Assets** | 2,292,008 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts payable | 213,727 |
| Due to other funds | 130,363 |
| Deferred revenue | 47,469 |
| Current portion of long-term obligations | 14,000 |
| **Total Current Liabilities** | 405,559 |
| **Noncurrent Liabilities** | |
| Noncurrent portion of long-term obligations | 70,000 |
| **NET POSITION** | |
| Net investment in capital assets | 1,070,627 |
| Unrestricted | 745,822 |
| **Total Net Position** | $ 1,816,449 |

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

## OCEAN VIEW SCHOOL DISTRICT

## PROPRIETARY FUNDS
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
## FOR THE YEAR ENDED JUNE 30, 2013

| | Business-Type Activities |
|---|---|
| | Child Care |
| **OPERATING REVENUES** | |
| Charges for services | $ 1,841,075 |
| **OPERATING EXPENSES** | |
| Payroll costs | 1,925,178 |
| Professional and contract services | 92,081 |
| Supplies and materials | 86,744 |
| Facility rental | 5,735 |
| Other operating costs | 122,071 |
| Depreciation | 73,416 |
| **Total Operating Expenses** | 2,305,225 |
| **Operating Loss** | (464,150) |
| **NONOPERATING REVENUES** | |
| Interest income | 3,592 |
| Grants | 683,600 |
| **Total Nonoperating Revenues** | 687,192 |
| **Change in Net Position** | 223,042 |
| **Total Net Position - Beginning** | 1,593,407 |
| **Total Net Position - Ending** | $ 1,816,449 |

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

## OCEAN VIEW SCHOOL DISTRICT

## PROPRIETARY FUNDS
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30, 2013

| | Business-Type Activities | |
|---|---|---|
| | Child Care | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash receipts from customers | $ | 1,798,909 |
| Cash payments to suppliers for goods and services | | (1,975,920) |
| Cash payments to employees for services | | (175,943) |
| Other operating cash payments | | (127,806) |
| Net Cash Used by Operating Activities | | (480,760) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | |
| Non-operating grants received | | 690,018 |
| Net Cash Provided by Non-Capital Financing Activities | | 690,018 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Principal paid on capital debt | | (14,000) |
| Net Cash Used by Capital and Related Financing Activities | | (14,000) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest on investments | | 3,592 |
| Net Cash Provided by Investing Activities | | 3,592 |
| Net Increase in Cash and Cash Equivalents | | 198,850 |
| Cash and Cash Equivalents - Beginning | | 871,418 |
| Cash and Cash Equivalents - Ending | $ | 1,070,268 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Operating loss | $ | (464,150) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation | | 73,416 |
| Changes in assets and liabilities: | | |
| Accounts receivable | | 1,456 |
| Due from other funds | | 2,966 |
| Accounts payable | | (21,571) |
| Due to other funds | | (29,255) |
| Deferred revenue | | (43,622) |
| **NET CASH USED BY OPERATING ACTIVITIES** | $ | (480,760) |

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

## OCEAN VIEW SCHOOL DISTRICT

## FIDUCIARY FUNDS
## STATEMENT OF NET POSITION
## JUNE 30, 2013

| | Agency Funds<br>Student Funds |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 179,245 |
| Stores inventories | 39,735 |
| **Total Assets** | $ 218,980 |
| | |
| **LIABILITIES** | |
| Accounts payable | $ 21,963 |
| Due to student groups | 197,017 |
| **Total Liabilities** | $ 218,980 |

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

## 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 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 Refunding Certificates of Participation (COP), 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 COP issued by the Corporation is 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 three broad fund categories: governmental, proprietary, and fiduciary.

**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.

One fund 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 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.

In addition, under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of special revenue funds as this fund is no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenue formerly restricted to this program to the continued operation of the original program, the revenue within this fund would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, revenues and expenditures of $851,301, $851,247, $4,253, and $874, respectively.

**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 approving a development (*Education Code* Sections 17620-17626). 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).

**Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue funds are established 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 and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Capital Project Funds** The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**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 lA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Special Reserve Capital Outlay Fund** The Special Reserve Capital Outlay Fund 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 restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

**Debt Service Fund** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the child care program of the District.

**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).

**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 business-type activities 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 asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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. The enterprise fund is presented in a single column on the face of the proprietary fund statements.

**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.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. 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.

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, 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.

**Cash and Cash Equivalents**

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

**Investments**

Investments held at June 30, 2013, 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.

**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 proprietary 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 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 and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Compensated Absences**

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

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

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.

**Fund Balances - Governmental Funds**

As of June 30, 2013, 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.

**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 $8,458,394 of restricted net position, which is restricted by enabling legislation.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are childcare fees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

**Budgetary Data**

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

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

**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.

**Changes in Accounting Principles**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

**New Accounting Pronouncements**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Governmental activities | $ 21,010,641 |
| Business-type activities | 1,070,268 |
| Fiduciary funds | 179,245 |
| Total Deposits and Investments | $ 22,260,154 |

Deposits and investments as of June 30, 2013, consist of the following:

| | |
|---|---|
| Cash on hand and in banks | $ 212,002 |
| Cash in revolving | 52,000 |
| Investments | 21,996,152 |
| Total Deposits and Investments | $ 22,260,154 |

### 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.

**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 manages its exposure to interest rate risk by primarily investing in the county pool.

**Specific Identification**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

| Investment Type | Carrying Value | Fair Value | Average Maturity in Days |
|---|---|---|---|
| Orange County Treasury Investment Pool | $ 21,996,152 | $ 21,983,236 | 359 days |

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Orange County Treasury Investment Pool are 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, 2013, the District's bank balances were within the Federally insured limits.

## NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total Governmental Activities | Child Care Enterprise |
|---|---|---|---|---|---|
| Federal Government | | | | | |
| Categorical aid | $ 3,365,924 | $ - | $ 303,753 | $ 3,669,677 | $ - |
| State Government | | | | | |
| Apportionment | 1,705,450 | - | - | 1,705,450 | - |
| Categorical aid | 110,347 | - | 24,115 | 134,462 | 50,212 |
| Lottery | 749,515 | - | - | 749,515 | - |
| Local Government | | | | | |
| Interest | 834 | 1,103 | 1,139 | 3,076 | 260 |
| Other Local Sources | 366,254 | 737,818 | 95,300 | 1,199,372 | 11,462 |
| Total | $ 6,298,324 | $ 738,921 | $ 424,307 | $ 7,461,552 | $ 61,934 |

## NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| | Balance July 1, 2012 | Additions | Deductions | Balance June 30, 2013 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 10,554,104 | $ - | $ - | $ 10,554,104 |
| Construction in process | 9,619,167 | 2,108,023 | 970,207 | 10,756,983 |
| Total Capital Assets Not Being Depreciated | 20,173,271 | 2,108,023 | 970,207 | 21,311,087 |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 7,173,759 | - | - | 7,173,759 |
| Buildings and improvements | 58,551,778 | 987,621 | - | 59,539,399 |
| Furniture and equipment | 12,662,620 | 186,870 | 474,993 | 12,374,497 |
| Total Capital Assets Being Depreciated | 78,388,157 | 1,174,491 | 474,993 | 79,087,655 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 6,193,315 | 72,378 | - | 6,265,693 |
| Buildings and improvements | 31,584,217 | 1,682,797 | - | 33,267,014 |
| Furniture and equipment | 10,757,171 | 508,184 | 474,993 | 10,790,362 |
| Total Accumulated Depreciation | 48,534,703 | 2,263,359 | 474,993 | 50,323,069 |
| Governmental Activities Capital Assets, Net | $ 50,026,725 | $ 1,019,155 | $ 970,207 | $ 50,075,673 |
| **Business-Type Activities** | | | | |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | $ 1,764,580 | $ - | $ - | $ 1,764,580 |
| Furniture and equipment | 29,761 | - | - | 29,761 |
| Total Capital Assets Being Depreciated | 1,794,341 | - | - | 1,794,341 |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | 547,561 | 70,360 | - | 617,921 |
| Furniture and equipment | 18,737 | 3,056 | - | 21,793 |
| Total Accumulated Depreciation | 566,298 | 73,416 | - | 639,714 |
| Business-Type Activities Capital Assets, Net | $ 1,228,043 | $ (73,416) | $ - | $ 1,154,627 |

Depreciation expense was charged to governmental and business-type activities as unallocated.

## NOTE 5 - 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, 2013, between major and non-major governmental funds, and non-major enterprise funds are as follows:

| | Due From | | | | |
|---|---|---|---|---|---|
| Due To | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Child Care Enterprise Fund | Total |
| General Fund | $ - | $ 1,433 | $ 113,047 | $ 130,363 | $ 244,843 |
| Non-Major Governmental Funds | 2,592 | - | - | - | 2,592 |
| Child Care Enterprise Fund | 5,179 | - | - | - | 5,179 |
| Total | $ 7,771 | $ 1,433 | $ 113,047 | $ 130,363 | $ 252,614 |

| | |
|---|---|
| A balance of $5,179 is due from the General Fund to the Child Care Enterprise Fund for payroll, benefits and other operating expenditures. | $ 5,179 |
| A balance of $2,592 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for benefits and other operating expenditures. | 2,592 |
| A balance of $791 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures. | 791 |
| A balance of $112,256 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for indirect costs. | 112,256 |
| A balance of $1,433 is due from the Capital Facilities Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures. | 1,433 |
| A balance of $122,071 is due from the Child Care Enterprise Fund to the General Fund for indirect costs. | 122,071 |
| A balance of $8,292 is due from the Child Care Enterprise Fund to the General Fund for payroll, benefits and other operating expenditures. | 8,292 |

**Operating Transfers**

Interfund transfers for the year ended June 30, 2013, consisted of the following:

| Transfer To | Transfer From Non-Major Governmental Funds |
|---|---|
| General Fund | $ 1,543,186 |
| Non-Major Governmental Funds | 796,088 |
| Total | $ 2,339,274 |

| | |
|---|---|
| The Special Reserve Capital Outlay Fund transferred to the General Fund for deferred maintenance. | $ 422,000 |
| The Special Reserve - Capital Outlay Fund transferred to the General Fund proceeds from short-term leases. | 1,121,186 |
| The Special Reserve Capital Outlay Fund transferred to the COP Debt Service Fund for the debt service payments. | 796,088 |
| Total | $ 2,339,274 |

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2013, consisted of the following:

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total Governmental Activities | Child Care Enterprise Fund | Fiduciary Funds |
|---|---|---|---|---|---|---|
| Salaries and benefits | $ 3,557,024 | $ 30,784 | $ 123,948 | $ 3,711,756 | $211,409 | $ - |
| Materials and supplies | 33,979 | - | 38,638 | 72,617 | 130 | - |
| Services and other operating | 239,988 | 2,650 | 77,375 | 320,013 | 2,188 | - |
| Construction | - | 1,118 | 403,231 | 404,349 | - | - |
| State apportionment | 72,608 | - | - | 72,608 | - | - |
| Other vendor payables | 113,523 | - | - | 113,523 | - | 21,963 |
| Total | $ 4,017,122 | $ 34,552 | $ 643,192 | $ 4,694,866 | $213,727 | $21,963 |

## NOTE 7 - CURRENT LOAN

The District requested a temporary transfer of $3,000,000 from the Educational Money Market Funds in custody of the Orange County Treasurer which are certified to be necessary to provide funds for meeting the obligations incurred for maintenance purposes for the District for the 2012/13 fiscal year pursuant to the resolution of the governing board of the district adopted on February 19, 2013, pursuant to California Constitution Article XVI, Section 6. Funds will be used for operational expenses and current payroll. Repayment terms require full amount to be paid with interest by October 31, 2013. Interest on the loan will accrue and be payable by the District at a rate equal to the gross rate the Orange County Educational Investment Pool is earning for the same period from the date of the temporary transfer plus five basis point until the entire loan and applicable interest is repaid. At June 30, 2013, the full amount of the loan was outstanding.

## NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

| | General Fund | Non-Major Governmental Funds | Total Governmental Activities | Child Care Enterprise Fund |
|---|---|---|---|---|
| Federal financial assistance | $ 47,704 | $ - | $ 47,704 | $ - |
| Other local | 32,669 | 43,913 | 76,582 | 47,469 |
| Total | $ 80,373 | $ 43,913 | $ 124,286 | $ 47,469 |

## NOTE 9 - LONG-TERM OBLIGATIONS

### Summary

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

| | Balance July 1, 2012 | Additions | Deductions | Balance June 30, 2013 | Due in One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Certificates of participation | $ 6,120,000 | $ - | $ 550,000 | $ 5,570,000 | $ 570,000 |
| Premium on certificates of participation | 247,637 | - | 25,618 | 222,019 | - |
| Compensated absences | 727,170 | - | 44,587 | 682,583 | - |
| Capital leases | 86,034 | - | 37,468 | 48,566 | 41,285 |
| Other postemployment benefits | 6,163,460 | 1,410,246 | - | 7,573,706 | - |
| | $ 13,344,301 | $ 1,410,246 | $ 657,673 | $ 14,096,874 | $ 611,285 |
| **Business-Type Activities** | | | | | |
| Capital leases | $ 98,000 | $ - | $ 14,000 | $ 84,000 | $ 14,000 |

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 Care Enterprise Fund. The accrued vacation will be paid by the fund for which the employee worked. Postemployment benefits are paid by the General Fund.

### 2010 Refunding Certificates of Participation

On February 26, 2010, the District issued 2010 Refunding Certificates of Participation in the amount of $6,875,000 with interest rates ranging from 3.0 to 4.25 percent. 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, 2013, the outstanding balance on the 2010 Refunding Certificates of Participation was $5,570,000. As of June 30, 2013, the unamortized premium received on issuance and deferred costs of issuance amounted to $222,019 and $210,021, respectively.

The certificates mature through March 1, 2022, as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $ 570,000 | $ 226,838 | $ 796,838 |
| 2015 | 590,000 | 206,888 | 796,888 |
| 2016 | 615,000 | 184,762 | 799,762 |
| 2017 | 635,000 | 161,700 | 796,700 |
| 2018 | 660,000 | 136,300 | 796,300 |
| 2019-2022 | 2,500,000 | 254,024 | 2,754,024 |
| Total | $ 5,570,000 | $ 1,170,512 | $ 6,740,512 |

**Compensated Absences**

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2013, amounted to $682,583.

**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:

**Governmental Activities**

| | Equipment |
|---|---|
| Balance, Beginning of Year | $ 88,110 |
| Payments | (39,307) |
| Balance, End of Year | $ 48,803 |

**Business-Type Activities**

| | Modulars |
|---|---|
| Balance, Beginning of Year | $ 98,000 |
| Payments | (14,000) |
| Balance, End of Year | $ 84,000 |

The capital leases have minimum lease payments as follows:

**Governmental Activities**

| Year Ending June 30, | Lease Payment |
|---|---|
| 2014 | $ 41,523 |
| 2015 | 7,280 |
| Total | 48,803 |
| Less: Amount Representing Interest | (237) |
| Present Value of Minimum Lease Payments | $ 48,566 |

**Business-Type Activities**

| Year Ending June 30, | Lease Payment |
|---|---|
| 2014 | $ 14,000 |
| 2015 | 14,000 |
| 2016 | 14,000 |
| 2017 | 14,000 |
| 2018 | 14,000 |
| 2019 | 14,000 |
| Total | $ 84,000 |

**Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2013, was $2,696,602, and contributions made by the District during the year were $1,212,680. Interest on the net OPEB obligation and adjustments to the annual required contribution were $308,173 and $(381,849), respectively, which resulted in an increase to the net OPEB obligation of $1,410,246. As of June 30, 2013, the net OPEB obligation was $7,573,706. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

## NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|---|
| Nonspendable | | | | |
| Revolving cash | $ 51,000 | $ - | $ 1,000 | $ 52,000 |
| Stores inventories | 56,477 | - | 46,448 | 102,925 |
| Total Nonspendable | 107,477 | - | 47,448 | 154,925 |
| Restricted | | | | |
| Legally restricted programs | 521,237 | - | 1,381,869 | 1,903,106 |
| Capital projects | - | 5,029,356 | 1,554,097 | 6,583,453 |
| Total Restricted | 521,237 | 5,029,356 | 2,935,966 | 8,486,559 |
| Assigned | | | | |
| Site carryover | 772,914 | - | - | 772,914 |
| Health benefits pool | 173,110 | - | - | 173,110 |
| Tier III programs | 1,231,501 | - | - | 1,231,501 |
| Emergency reserve | 4,806,299 | - | - | 4,806,299 |
| Capital projects | 785,761 | - | 2,264,135 | 3,049,896 |
| Other assignments | 65,485 | - | - | 65,485 |
| Total Assigned | 7,835,070 | - | 2,264,135 | 10,099,205 |
| Unassigned | | | | |
| Reserve for economic uncertainties | 2,140,461 | - | - | 2,140,461 |
| Total Unassigned | 2,140,461 | - | - | 2,140,461 |
| Total | $ 10,604,245 | $ 5,029,356 | $ 5,247,549 | $ 20,881,150 |

## 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 |
|---|---|
| 2014 | $ 1,075,503 |
| 2015 | 978,738 |
| 2016 | 1,014,962 |
| 2017 | 1,014,962 |
| 2018 | 3,319,831 |
| 2019-2023 | 3,578,694 |
| 2024-2028 | 2,487,500 |
| 2029-2033 | 2,753,125 |
| 2034-2038 | 2,862,500 |
| 2039-2043 | 3,128,125 |
| Thereafter | 17,358,750 |
| Total | $ 39,572,690 |

## NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Ocean View School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 263 retirees and beneficiaries currently receiving benefits, seven terminated Plan members entitled to but not yet receiving benefits, and 631 active Plan members.

### Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (OVTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed $1,212,680 to the Plan, all of which was used for current premiums (approximately 70 percent of total premiums). Plan members receiving benefits contributed $534,090, or approximately 30 percent of the total premiums.

**Annual OPEB Cost and Net OPEB Obligation**

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

| | |
|---|---|
| Annual required contribution | $ 2,696,602 |
| Interest on net OPEB obligation | 308,173 |
| Adjustment to annual required contribution | (381,849) |
| Annual OPEB cost (expense) | 2,622,926 |
| Contributions made | (1,212,680) |
| Increase in net OPEB obligation | 1,410,246 |
| Net OPEB obligation, beginning of year | 6,163,460 |
| Net OPEB obligation, end of year | $ 7,573,706 |

**Trend Information**

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

| Year Ended June 30, | Annual OPEB Cost | Actual Contribution | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 2011 | $ 2,656,392 | $ 1,211,560 | 46% | $ 4,808,631 |
| 2012 | 2,639,121 | 1,284,292 | 49% | 6,163,460 |
| 2013 | 2,622,926 | 1,212,680 | 46% | 7,573,706 |

**Funded Status and Funding Progress**

A schedule of funding progress as of the most recent actuarial valuation is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b - a] / c) |
|---|---|---|---|---|---|---|
| July 1, 2008 | $ - | $ 22,538,957 | $ 22,538,957 | 0% | $ 54,024,466 | 42% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2008 actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of 11 percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2013, was 26 years. The actuarial value of assets was not determined in this actuarial valuation.

The District has not established a plan or equivalent arrangement that contains an irrevocable transfer of assets dedicated to providing benefits to retirees.

## NOTE 13 - 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, 2013, the District contracted with Southern Orange County Property/Liability 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 2013, the District participated in the Western Orange County Self-Funded Workers' Compensation Insurance Agency (the Agency), a joint powers authority. The intent of the Agency is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Agency. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Agency. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Agency is limited to districts that can meet the Agency's selection criteria.

### Employee Medical Benefits

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

## NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

### CalSTRS

### Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

**Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were $3,053,683, $3,167,580, and $3,119,783, respectively, and equal 100 percent of the required contributions for each year.

**CalPERS**

**Plan Description**

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

**Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011 were $1,688,215, $1,622,758, and $1,511,412, respectively, and equal 100 percent of the required contributions for each year.

**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 $1,954,431 (5.176 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 excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 15 - COMMITMENTS AND CONTINGENCIES

**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

**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, 2013.

## NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency, South Counties Employer Employee Trust, 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 property/liability, workers' compensation, 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, 2013, the District made payments of $497,098, $871,683, $4,354,744, $1,739,968, and $1,030,662 to Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency, California Schools VEBA, Metropolitan Employees Benefits Association, and Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority, respectively, for annual premium payments.

## *REQUIRED SUPPLEMENTARY INFORMATION*

## OCEAN VIEW SCHOOL DISTRICT

## GENERAL FUND
## BUDGETARY COMPARISON SCHEDULE
## FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) Final |
|---|---|---|---|---|
| | Original | Final | (GAAP Basis) | to Actual |
| **REVENUES** | | | | |
| Revenue limit sources | $ 47,380,815 | $ 47,035,033 | $ 46,990,536 | $ (44,497) |
| Federal sources | 4,150,558 | 4,066,942 | 3,989,565 | (77,377) |
| Other State sources | 9,537,762 | 10,470,090 | 12,407,578 | 1,937,488 |
| Other local sources | 6,116,472 | 6,761,821 | 6,817,932 | 56,111 |
| **Total Revenues** [1] | 67,185,607 | 68,333,886 | 70,205,611 | 1,871,725 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Certificated salaries | 37,832,962 | 37,322,665 | 37,280,282 | 42,383 |
| Classified salaries | 14,321,038 | 14,303,015 | 14,235,925 | 67,090 |
| Employee benefits | 13,093,284 | 12,927,101 | 14,497,565 | (1,570,464) |
| Books and supplies | 2,047,308 | 2,273,272 | 2,030,977 | 242,295 |
| Services and operating expenditures | 5,224,716 | 5,404,601 | 5,147,245 | 257,356 |
| Capital outlay | 164,000 | 143,379 | 127,527 | 15,852 |
| Other outgo | 26,955 | (6,256) | (15,829) | 9,573 |
| **Total Expenditures** [1] | 72,710,263 | 72,367,777 | 73,303,692 | (935,915) |
| **Excess (Deficiency) of Revenues Over Expenditures** | (5,524,656) | (4,033,891) | (3,098,081) | 935,810 |
| **Other Financing Sources** | | | | |
| Transfers in | 2,043,186 | 2,043,186 | 1,543,186 | (500,000) |
| **Net Financing Sources** | 2,043,186 | 2,043,186 | 1,543,186 | (500,000) |
| **NET CHANGE IN FUND BALANCE** | (3,481,470) | (1,990,705) | (1,554,895) | 435,810 |
| **Fund Balance - Beginning** | 12,159,140 | 12,159,140 | 12,159,140 | - |
| **Fund Balance - Ending** | $ 8,677,670 | $ 10,168,435 | $ 10,604,245 | $ 435,810 |

[1] On behalf payments of $1,954,431 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

## OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
## FOR THE YEAR ENDED JUNE 30, 2013

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b - a] / c) |
|---|---|---|---|---|---|---|
| July 1, 2008 | $ - | $ 22,538,957 | $ 22,538,957 | 0% | $ 54,024,466 | 42% |

# *SUPPLEMENTARY INFORMATION*

## OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2013

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Indian Education | 84.060A | [1] | $ 116,278 |
| Passed through California Department of Education (CDE): | | | |
| No Child Left Behind Act | | | |
| Title I, Part A - Grants to Local Educational Agencies Cluster: | | | |
| Title I, Part A - Basic Grants Low-Income and Neglected | 84.010 | 14329 | 866,684 |
| Title I, Part A - LEA Corrective Action Plan Program | 84.010 | 14955 | 132,998 |
| Subtotal Title I, Part A - Grants to Local Educational Agencies Cluster | | | 999,682 |
| Title II, Part A - Improving Teacher Quality Local Grants | 84.367 | 14341 | 360,390 |
| Title III - Immigrant Education Program | 84.365 | 14346 | 195,023 |
| Passed through West Orange County Consortium for Special Education: | | | |
| Individuals with Disabilities Education Act (IDEA) Cluster: | | | |
| Preschool Grants, Part B, Sec 619 | 84.173 | 13430 | 76,627 |
| Preschool Staff Development, Part B, Sec 619 | 84.173A | 13431 | 1,782 |
| Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 1,370,863 |
| Local Assistance Entitlement, Part B, Sec 611 - Private School ISPs | 84.027 | 10115 | 18,928 |
| Early Intervening Services | 84.027 | 10119 | 64,334 |
| Preschool Local Entitlement, Part B, Sec 611 | 84.027A | 13682 | 176,859 |
| Mental Health Allocation Plan, Part B, Sec 611 | 84.027 | 14468 | 24,263 |
| Subtotal IDEA Cluster | | | 1,733,656 |
| State Improvement Grant, Improving Special Ed Systems | 84.323 | 14577 | 21,300 |
| Total U.S. Department of Education | | | 3,426,329 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through CDE: | | | |
| Child Nutrition Cluster: | | | |
| National School Lunch Program | 10.555 | 13396 | 1,361,648 |
| Especially Needy Breakfast | 10.553 | 13390 | 249,485 |
| Commodities | 10.555 | 13396 | 108,787 |
| Subtotal Child Nutrition Cluster | | | 1,719,920 |
| Fresh Fruit and Vegetables Program | 10.582 | 14968 | 776 |
| Child and Audlt Care Food Program | 10.558 | 13666 | 44,096 |
| Total U.S. Department of Agriculture | | | 1,764,792 |

[1] Direct-Funded, no PCA number

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2013 (Continued)

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. DEPARTMENT HEALTH AND HUMAN SERVICES | | | |
| Passed through California Department of Health Care Services: | | | |
| Medical Assistance Program Cluster: | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | $ 386,169 |
| Medi-Cal Administrative Activities | 93.778 | 10060 | 184,109 |
| Subtotal Medical Assistance Program Cluster | | | 570,278 |
| Passed through California Department of Education (CDE): | | | |
| Child Development Cluster: | | | |
| CCDF Matching-General Child Development Program | 93.596 | 13609 | 31,409 |
| CCDF Discretionary General Child Care FF | 93.575 | 15136 | 17,280 |
| Subtotal Medical Assistance Program Cluster | | | 48,689 |
| Total U.S. Department of Health and Human Services | | | 618,967 |
| Total Expenditures of Federal Awards | | | $ 5,810,088 |

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
## JUNE 30, 2013

### ORGANIZATION

The Ocean View School District was established in 1874, serving grades kindergarten through eighth. The District operates 11 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

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Ms. Debbie Cotton | President | 2016 |
| Mr. John Ortiz | Clerk | 2014 |
| Mr. John Briscoe | Member | 2014 |
| Ms. Gina Clayton-Tarvin | Member | 2016 |
| Ms. Tracy Pellman | Member | 2014 |

### ADMINISTRATION

| | |
|---|---|
| Mr. Gustavo Balderas | Superintendent |
| Ms. Kathy Frazier | Assistant Superintendent, Curriculum and Instruction |
| Ms. Pam Bridges | Director of Fiscal Services |

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE
## FOR THE YEAR ENDED JUNE 30, 2013

| | Final Report | |
|---|---|---|
| | Second Period Report | Annual Report |
| ELEMENTARY | | |
| Kindergarten | 1,098 | 1,098 |
| First through third | 2,826 | 2,825 |
| Fourth through sixth | 2,943 | 2,941 |
| Seventh and eighth | 2,055 | 2,050 |
| Home and hospital | 2 | 1 |
| Special education | 292 | 296 |
| Total Elementary | 9,216 | 9,211 |

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME
## FOR THE YEAR ENDED JUNE 30, 2013

| Grade Level | 1982-83 Actual Minutes | Reduced 1982-83 Actual Minutes | 1986-87 Minutes Requirement | Reduced 1986-87 Minutes Requirement | 2012-13 Actual Minutes | Number of Days Traditional Calendar | Number of Days Multitrack Calendar | Status |
|---|---|---|---|---|---|---|---|---|
| Kindergarten | 35,200 | 34,222 | 36,000 | 35,000 | 35,600 | 178 | N/A | Complied |
| Grades 1 - 3 | 48,911 | 47,552 | 50,400 | 49,000 | | | | |
| Grade 1 | | | | | 49,220 | 178 | N/A | Complied |
| Grade 2 | | | | | 49,220 | 178 | N/A | Complied |
| Grade 3 | | | | | 49,220 | 178 | N/A | Complied |
| Grades 4 - 5 | 57,967 | 56,357 | 54,000 | 52,500 | | | | |
| Grade 4 | | | | | 57,020 | 178 | N/A | Complied |
| Grade 5 | | | | | 57,020 | 178 | N/A | Complied |
| Grades 6 - 8 | 57,967 | 56,357 | 54,000 | 52,500 | | | | |
| Grade 6 | | | | | 57,310 | 178 | N/A | Complied |
| Grade 7 | | | | | 57,310 | 178 | N/A | Complied |
| Grade 8 | | | | | 57,310 | 178 | 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, 2013

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
## FOR THE YEAR ENDED JUNE 30, 2013

| | (Budget) 2014 [1] | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| GENERAL FUND [4] | | | | |
| Revenues | $ 67,494,632 | $ 70,201,358 | $ 72,908,347 | $ 75,027,820 |
| Other sources and transfers in | 922,000 | 2,043,186 | 922,000 | 1,393,546 |
| Total Revenues and Other Sources | 68,416,632 | 72,244,544 | 73,830,347 | 76,421,366 |
| Expenditures | 72,307,701 | 73,302,818 | 75,963,555 | 74,271,837 |
| Other uses and transfers out | - | - | - | - |
| Total Expenditures and Other Uses | 72,307,701 | 73,302,818 | 75,963,555 | 74,271,837 |
| INCREASE (DECREASE) IN FUND BALANCE | $ (3,891,069) | $ (1,058,274) | $ (2,133,208) | $ 2,149,529 |
| ENDING FUND BALANCE | $ 5,861,929 | $ 9,752,998 | $ 10,811,272 | $ 12,944,480 |
| AVAILABLE RESERVES [2] | $ 2,169,923 | $ 2,140,461 | $ 2,223,900 | $ 2,179,850 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3] | 3.00% | 3.00% | 3.00% | 3.00% |
| LONG-TERM OBLIGATIONS | N/A | $ 14,096,874 | $ 13,344,301 | $ 12,547,518 |
| K-12 AVERAGE DAILY ATTENDANCE AT P-2 | 9,099 | 9,216 | 9,240 | 9,241 |

The General Fund balance has decreased by $3,191,482 over the past two years. The fiscal year 2013-2014 budget projects a further decrease of $3,891,069 (39.9 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 deficits in two of the past three years and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by $1,549,356 over the past two years.

Average daily attendance has decreased by 25 over the past two years. Additional decline of 117 ADA is anticipated during fiscal year 2013-2014.

[1] Budget 2014 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.

[3] On behalf payments of $1,954,431, $1,867,008, and $1,611,349 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

[4] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay as required by GASB Statement No. 54.

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS
## COMBINING BALANCE SHEET
## JUNE 30, 2013

| | Cafeteria Fund | County School Facilities Fund | Special Reserve Capital Outlay Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposits and investments | $ 1,351,846 | $ 1,848,263 | $ 2,374,245 | $ 5,574,354 |
| Receivables | 350,453 | 543 | 73,311 | 424,307 |
| Due from other funds | 2,592 | - | - | 2,592 |
| Stores inventories | 46,448 | - | - | 46,448 |
| **Total Assets** | $ 1,751,339 | $ 1,848,806 | $ 2,447,556 | $ 6,047,701 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | $ 165,062 | $ 294,709 | $ 183,421 | $ 643,192 |
| Due to other funds | 113,047 | - | - | 113,047 |
| Deferred revenue | 43,913 | - | - | 43,913 |
| **Total Liabilities** | 322,022 | 294,709 | 183,421 | 800,152 |
| **Fund Balances:** | | | | |
| Nonspendable | 47,448 | - | - | 47,448 |
| Restricted | 1,381,869 | 1,554,097 | - | 2,935,966 |
| Assigned | - | - | 2,264,135 | 2,264,135 |
| **Total Fund Balances** | 1,429,317 | 1,554,097 | 2,264,135 | 5,247,549 |
| **Total Liabilities and Fund Balances** | $ 1,751,339 | $ 1,848,806 | $ 2,447,556 | $ 6,047,701 |

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED JUNE 30, 2013

| | Cafeteria Fund | County School Facilities Fund | Special Reserve Capital Outlay Fund |
|---|---|---|---|
| **REVENUES** | | | |
| Federal sources | $ 1,764,790 | $ - | $ - |
| Other State sources | 143,647 | - | - |
| Other local sources | 1,096,611 | 8,469 | 2,121,630 |
| **Total Revenues** | 3,005,048 | 8,469 | 2,121,630 |
| **EXPENDITURES** | | | |
| Current | | | |
| Pupil services: | | | |
| Food services | 2,707,301 | - | - |
| Administration: | | | |
| All other administration | 110,566 | - | - |
| Plant services | - | 1,888 | 831,531 |
| Facility acquisition and construction | - | 680,081 | 1,391,318 |
| Debt service | | | |
| Principal | - | - | - |
| Interest and other | - | - | - |
| **Total Expenditures** | 2,817,867 | 681,969 | 2,222,849 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 187,181 | (673,500) | (101,219) |
| **Other Financing Sources (Uses)** | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | (2,339,274) |
| **Net Financing Sources (Uses)** | - | - | (2,339,274) |
| **NET CHANGE IN FUND BALANCES** | 187,181 | (673,500) | (2,440,493) |
| **Fund Balances - Beginning** | 1,242,136 | 2,227,597 | 4,704,628 |
| **Fund Balances - Ending** | $ 1,429,317 | $ 1,554,097 | $ 2,264,135 |

See accompanying note to supplementary information.

| Debt Service Fund | Total Non-Major Governmental Funds |
|---|---|
| $ - | $ 1,764,790 |
| - | 143,647 |
| - | 3,226,710 |
| - | 5,135,147 |
| | |
| | |
| - | 2,707,301 |
| | |
| - | 110,566 |
| - | 833,419 |
| - | 2,071,399 |
| | |
| 550,000 | 550,000 |
| 246,088 | 246,088 |
| 796,088 | 6,518,773 |
| | |
| (796,088) | (1,383,626) |
| | |
| 796,088 | 796,088 |
| - | (2,339,274) |
| 796,088 | (1,543,186) |
| - | (2,926,812) |
| - | 8,174,361 |
| $ - | $ 5,247,549 |

## OCEAN VIEW SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION
## THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2013

| (Amounts in thousands) | Actual Results for the Years | | | | | |
|---|---|---|---|---|---|---|
| | 2012-2013 | | 2011-2012 | | 2010-2011 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| REVENUES | | | | | | |
| Federal revenue | $ 3,990 | 5.7 | $ 5,270 | 7.2 | $ 6,341 | 8.3 |
| State and local revenue included in revenue limit | 46,990 | 66.9 | 46,845 | 64.3 | 47,081 | 61.6 |
| Other State revenue | 12,408 | 17.7 | 12,759 | 17.5 | 12,752 | 16.7 |
| Other local revenue | 1,629 | 2.3 | 2,721 | 3.7 | 8,854 | 11.6 |
| Tuition and transfers in | 5,184 | 7.4 | 5,313 | 7.3 | 1,393 | 1.8 |
| Total Revenues | 70,201 | 100.0 | 72,908 | 100.0 | 76,421 | 100.0 |
| EXPENDITURES | | | | | | |
| Salaries and Benefits | | | | | | |
| Certificated salaries | 37,279 | 53.1 | 38,650 | 53.0 | 37,921 | 49.6 |
| Classified salaries | 14,236 | 20.3 | 14,418 | 19.8 | 13,676 | 17.9 |
| Employee benefits | 14,498 | 20.7 | 15,523 | 21.3 | 14,567 | 19.1 |
| Total Salaries and Benefits | 66,013 | 94.1 | 68,591 | 94.1 | 66,164 | 86.6 |
| Books and supplies | 2,031 | 2.8 | 2,102 | 2.9 | 3,007 | 3.9 |
| Services and operating expenses | 5,146 | 7.3 | 5,222 | 7.2 | 5,014 | 6.6 |
| Capital outlay | 128 | 0.2 | 39 | 0.1 | 37 | 0.0 |
| Other outgo | (60) | (0.1) | (35) | (0.0) | 19 | 0.0 |
| Debt service | 44 | 0.1 | 44 | 0.1 | 31 | 0.0 |
| Total Expenditures | 73,302 | 104.4 | 75,963 | 104.4 | 74,272 | 97.1 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (3,101) | (4.4) | (3,055) | (4.4) | 2,149 | 2.9 |
| OTHER FINANCING SOURCES (USES) | 2,043 | 2.9 | 922 | 1.3 | - | - |
| INCREASE (DECREASE) IN FUND BALANCE | (1,058) | (1.5) | (2,133) | (3.1) | 2,149 | 2.9 |
| FUND BALANCE, BEGINNING | 10,811 | 15.4 | 12,944 | 17.8 | 10,795 | 14.1 |
| FUND BALANCE, ENDING | $ 9,753 | 13.9 | $ 10,811 | 14.7 | $ 12,944 | 17.0 |

The additional revenues and expenditures pertaining to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects have been excluded from the actual revenues and expenditures above.

See accompanying note to supplementary information.

## OCEAN VIEW SCHOOL DISTRICT

## CAFETERIA FUND SELECTED FINANCIAL INFORMATION
## THREE-YEAR SUMMARY OF REVENUES, EXPENDTURES, AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2013

| (Amounts in thousands) | Actual Results for the Years | | | | | |
|---|---|---|---|---|---|---|
| | 2012-2013 | | 2011-2012 | | 2010-2011 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| REVENUES | | | | | | |
| Federal meal program | $ 1,765 | 58.8 | $ 1,589 | 56.7 | $ 1,549 | 56.0 |
| State meal program | 144 | 4.8 | 124 | 4.4 | 112 | 4.1 |
| Food sales | 1,092 | 36.3 | 1,086 | 38.8 | 1,093 | 39.6 |
| Other | 4 | 0.1 | 4 | 0.1 | 7 | 0.3 |
| Total Revenues | 3,005 | 100.0 | 2,803 | 100.0 | 2,761 | 100.0 |
| EXPENDITURES | | | | | | |
| Salaries and employee benefits | 981 | 32.6 | 982 | 35.0 | 928 | 33.6 |
| Food | 1,383 | 46.0 | 1,344 | 47.9 | 1,345 | 48.7 |
| Supplies | 129 | 4.3 | 118 | 4.2 | 99 | 3.6 |
| Other | 325 | 10.8 | 219 | 7.8 | 246 | 8.9 |
| Total Expenditures | 2,818 | 93.7 | 2,663 | 94.9 | 2,618 | 94.8 |
| INCREASE (DECREASE) IN FUND BALANCE | 187 | 6.3 | 140 | 5.1 | 143 | 5.2 |
| FUND BALANCE, BEGINNING | 1,242 | 41.3 | 1,102 | 39.3 | 959 | 34.7 |
| FUND BALANCE, ENDING | $ 1,429 | 47.6 | $ 1,242 | 44.4 | $ 1,102 | 39.9 |

* * * * * * * * * * * * * * * * * * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

| | 2012-2013 | | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|---|---|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| TYPE 'A' LUNCHES | | | | | | |
| Paid | 169,285 | 27.3 | 199,479 | 29.8 | 209,480 | 30.9 |
| Reduced price | 53,993 | 8.7 | 60,114 | 9.0 | 50,405 | 7.4 |
| Free | 397,557 | 64.0 | 409,271 | 61.2 | 417,321 | 61.7 |
| Total Lunches | 620,835 | 100.0 | 668,864 | 100.0 | 677,206 | 100.0 |
| BREAKFAST | | | | | | |
| Paid | 8,680 | 6.1 | 7,465 | 8.0 | 6,414 | 7.0 |
| Reduced price | 7,279 | 5.1 | 6,732 | 7.2 | 4,840 | 5.3 |
| Free | 126,842 | 88.8 | 78,807 | 84.8 | 80,167 | 87.7 |
| Total Breakfast | 142,801 | 100.0 | 93,004 | 100.0 | 91,421 | 100.0 |

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION
## JUNE 30, 2013

### 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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option Funds which were recorded in the prior period as revenues but were expended this year.

| | CFDA Number | Amount |
|---|---|---|
| Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities: | | $ 5,803,044 |
| Medi-Cal Billing Option | 93.778 | 7,044 |
| Total Schedule of Expenditures of Federal Awards | | $ 5,810,088 |

**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. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirement, whichever is greater, as required by *Education Code* Section 46201.

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

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

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION
## JUNE 30, 2013

**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.

**General Fund Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

**Cafeteria Fund Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria fund for the past three years.

# *INDEPENDENT AUDITORS' REPORTS*

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

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, the business-type 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, 2013, 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 October 25, 2013.

## 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying financial statement findings that we consider to be significant deficiencies (2013-1).


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**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 October 25, 2013.

**Ocean View School District's Response to Findings**

Ocean View School District's response to the finding identified in our audit is described in the accompanying Financial Statement Findings section of this report. Ocean View School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 25, 2013

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ocean View School District's (the District) major Federal programs for the year ended June 30, 2013. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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.


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**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, 2013.

**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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 25, 2013

# INDEPENDENT AUDITORS' 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 compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* 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, 2013.

## Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. 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 opinion. Our audit does not provide a legal determination of Ocean View School District's compliance with those requirements.

## Basis for Qualified Opinion on the After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Ocean View School District did not comply with requirements regarding the After School Education and Safety Program; refer to the State Awards Findings and Questioned Costs section of this report, finding 2013-2. Compliance with such requirements is necessary, in our opinion, for Ocean View School District to comply with the requirements applicable to that program.

## Qualified Opinion on the After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Ocean View School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.



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

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, 2013, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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 in Audit Guide | Procedures Performed |
|---|---|---|
| Attendance Accounting: | | |
| Attendance Reporting | 6 | Yes |
| Teacher Certification and Misassignments | 3 | Yes |
| Kindergarten Continuance | 3 | Yes |
| Independent Study | 23 | Not applicable |
| Continuation Education | 10 | Not applicable |
| Instructional Time: | | |
| School Districts | 6 | Yes |
| County Offices of Education | 3 | Not applicable |
| Instructional Materials: | | |
| General Requirements | 8 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early Retirement Incentive | 4 | Not applicable |
| Gann Limit Calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Juvenile Court Schools | 8 | Not applicable |
| Class Size Reduction Program (including in charter schools): | | |
| General Requirements | 7 | Yes |
| Option One Classes | 3 | Yes |
| Option Two Classes | 4 | Not applicable |
| Districts or Charter Schools With Only One School Serving K-3 | 4 | Not applicable |
| After School Education and Safety Program: | | |
| General Requirements | 4 | Yes |
| After School | 5 | Yes |
| Before School | 6 | Not applicable |
| Charter Schools: | | |
| Contemporaneous Records of Attendance | 1 | Not applicable |
| Mode of Instruction | 1 | Not applicable |
| Non Classroom-Based Instruction/Independent Study | 15 | Not applicable |
| Determination of Funding for Non Classroom-Based Instruction | 3 | Not applicable |
| Annual Instruction Minutes Classroom-Based | 4 | Not applicable |

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 25, 2013

# *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

## OCEAN VIEW SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS
## FOR THE YEAR ENDED JUNE 30, 2013

**FINANCIAL STATEMENTS**

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness identified? | No |
| Significant deficiency identified? | Yes |
| Noncompliance material to financial statements noted? | No |

**FEDERAL AWARDS**

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness identified? | No |
| Significant deficiency identified? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? | No |

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 84.010 | Title I, Part A Cluster |
| 84.027, 84.027A, 84.173, 84.173A | Special Education (IDEA) Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 300,000 |
| Auditee qualified as low-risk auditee? | Yes |

**STATE AWARDS**

| | |
|---|---|
| Type of auditors' report issued on compliance for State programs: | Unmodified |

Unmodified for all programs except for the following program which was qualified:

| Name of Program |
|---|
| After School Education and Safety Program |

## OCEAN VIEW SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS
## FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

| Five Digit Code | AB 3627 Finding Type |
|---|---|
| 60000 | Miscellaneous |

***GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions***

**2013-1 60000**

**Criteria or Specific Requirements**

The District has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* For compliance in application of this Statement, the District must obtain a new actuarial valuation every two years. Any significant changes since the most recent valuation may require the District to obtain an updated actuarial valuation sooner than every two years.

**Condition**

The District's application of the Statement is not consistent with guidance related to frequency of valuations. The most recent actuarial study for Ocean View School District is dated July 1, 2009, but relies on the valuation performed as of July 1, 2008.

**Questioned costs**

No question costs are associated with finding.

**Context**

The condition identified resulted from our review of the postemployment benefits portion of the long-term debt.

**Effect**

As a result of the condition identified, the District was not in compliance with the requirements of the GASB Statement No. 45.

**Cause**

The cause is most likely attributed to the District experiencing turnover of management personnel.

**Recommendation**

In order to ensure compliance with GASB Statement No. 45, the District should ensure that a new actuarial valuation is obtained at a minimum of every two years. Any significant changes since the most recent valuation may require the District to obtain an updated actuarial valuation sooner than every two years. Significant changes include changes in benefit provisions, such as the employer enhancing or curtailing benefits; changes in the covered population, such as the employer limiting or expanding eligibility; and other factors that impact long-term assumptions.

**Corrective Action Plan**

The District is going through the process of selecting a firm for a new actuarial valuation at this time, and will have the report completed before the end of the 2013-2014 fiscal year.

## OCEAN VIEW SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2013

None reported.

## OCEAN VIEW SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

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

***After School Education and Safety Program (ASES)***

**2013-2 40000**

**Criteria or Specific Requirements**

According to the *California Education Code Section* 8483(a)(1) states that Every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

**Condition**

The District has gathered monthly summaries of student attendance for submission to the County in order to meet the semi-annual reporting requirement. However, in reviewing Oak View Elementary School's monthly summary total for the month of November 2012 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary total differ significantly. Oak View Elementary attendance rosters had a total of 907 students served where as the total of the monthly summary are 1,292 students served, resulting in 385 exceptions. Exceptions consisted of 319 students who were released before 6PM on a daily basis but had no early release form on file. Exceptions also consisted of 66 students who did not have the time they were released from the ASES program.

**Questioned Costs**

Under the provisions of the program, there are no questioned costs associated with this condition.

**Context**

The condition identified resulted from our review of Oak View Elementary School's attendance records and monthly attendance summary totals for the month of November, 2012. Oak View Elementary School is the only site that operates the after school program. Auditor also reviewed early release forms for the month of November, 2012, and noted exceptions in which Oak View Elementary School did not have early release forms for students that were being released before 6PM on a daily basis as well as time not being documented when students were released from ASES.

**Effect**

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2012-2013 fiscal year for Oak View Elementary School because the report submitted to the State reflects inaccurate attendance information.

**Cause**

It appears that the condition identified has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the site deducts those students who are not in compliance with the established early release policy. The site does not have early release forms on file for those students who were consistently released early from the ASES program.

**Recommendation**

District should inform GOALS regarding their early release policy including the importance of having an early release form on file for students who are continually released early. Also prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the district should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

**Corrective Action Plan**

The Business Office of the District will review the monthly attendance summaries to verify that the information being sent to the State is accurate. Furthermore, GOALS will create an early release policy for all students who will need to leave at an earlier time due to the ceasing of daylight savings time. This early release policy will allow students to leave at 5:00 pm on a regular basis so that they may walk home with enough sunlight and visibility for their own safety. Each GOALS participant will need to have their parent(s) or guardian(s) sign this early release policy and indicate which days the participant will be allowed to walk home at 5:00 pm.

In addition, for students who do not have a release time on the sign-in/out sheets, staff members will write in the exact time the child was picked up and released from the program based on the "Early Pick-ups" sign-out folder. This sign-out folder is for students who are released from the GOALS program by a parent, guardian or adult due to illness, medical appointments, family emergencies, pick-up conflicts, etc. Requirements for releasing a student early from the program are as follows: Parent or adult signature, time they signed-out the child from the program, and a reason as to why they are signing the child out early.

## OCEAN VIEW SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
## FOR THE YEAR ENDED JUNE 30, 2013

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

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, 2013, 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 October 25, 2013, on the financial statements of Ocean View School District.

## *CASH RECEIPTS – FOOD SERVICES*

### Observation

Based on the review of the procedures over Food Services local revenue, we noted 32 out of 40 site deposits tested had a variance of plus/minus $10. The deposits from the sites were not accompanied by an explanation for such variances.

### Recommendation

The Food Services department should establish an allowable variance threshold and any variances above that threshold should require an explanation. The site personnel preparing the deposit reconciliations should document an explanation and attach it to the deposit batch that is sent to the Food Services Department. This will allow the Food Services department to identify incomplete deposits and follow-up on discrepancies as needed.

## *ASSOCIATED STUDENT BODY (ASB)*

*Mesa View Middle School*

### Observation

In reviewing the revenue potential forms, it was noted that revenue potential forms were not completely filled out. The actual expense and the fundraiser analysis portions of the revenue potential forms were completed; however, the site did not document an explanation for the variances between the actual and expected amounts.



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**Recommendation**

Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential form, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 25, 2013