

OCEAN VIEW SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

OCEAN VIEW SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Ocean View School District
Huntington Beach, California

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; 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 Educational Agencies 2010-11,* 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balances of the General Fund and the Non-Major Governmental Funds, as discussed in Notes 1 and 17.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 14 and budgetary comparison and other postemployment information on pages 55 and 56, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2011

"Equity and Excellence"

Ocean View School District

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Board of Trustees
Debbie Cotton, President
Tracy Pellman, Clerk
John Briscoe, Member
John Ortiz, Member
Norm Westwell, Member

This section of Ocean View School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. 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 assets 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 assets and how they have changed. Net assets - 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 assets 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.

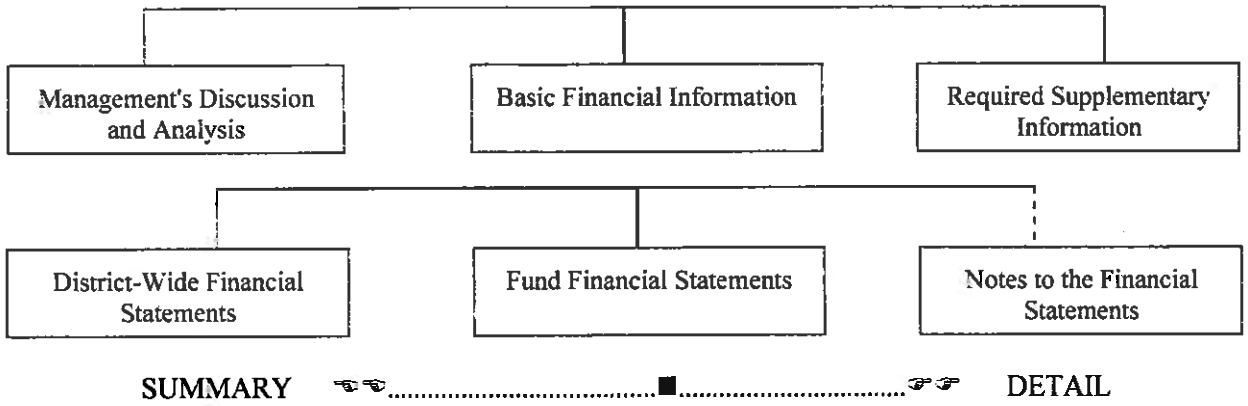
Figure 1-A shows how the various parts of this annual report are arranged and related to one another.

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 Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Fund Net Assets • Statement of Cash Flows	• Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
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 increased $1,660,253 between July 1, 2010 and June 30, 2011. The General Fund has consistently maintained a reserve for emergencies above the State mandated three percent reserve and ended the fiscal year of June 30, 2011, with an emergency reserve of 10.4 percent.

Ocean View School District has, in conjunction with District architect BCA Architects, developed an extensive site analysis of all current sites regarding facility needs. In addition, the District has been determining eligibility for State modernization funds. A series of community input meetings is planned for the 2011-2012 year as a further development and refinement of the Long Range Facilities Master Plan (LRFMP) to help determine future decisions regarding District sites.

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 sites.

The District increased its outstanding long-term obligations by $1,153,735 or 9.1 percent. This increase is due to GASB Statement No. 45 which requires Other Postemployment Benefits to be included with long-term obligations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's combined net assets were $64,613,445 for the fiscal year ended June 30, 2011. Of this amount, $12,029,926 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limit the Board of Trustees' ability to use those net assets for day-to-day operations. The analysis below focuses on the net assets (Table 1) and change in the net assets (Table 2) for the District's governmental and business-type activities.

Table 1

	Governmental Activities		Business-Type Activities		School District Activities	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	$ 29,612,241	$ 27,629,482	$ 686,918	$ 676,886	$ 30,299,159	$ 28,306,368
Capital assets	51,817,490	53,525,819	1,301,459	1,375,037	53,118,949	54,900,856
Total Assets	81,429,731	81,155,301	1,988,377	2,051,923	83,418,108	83,207,224
Liabilities						
Current liabilities	5,759,764	4,066,843	385,381	361,948	6,145,145	4,428,791
Long-term obligations	12,547,518	11,327,783	112,000	178,000	12,659,518	11,505,783
Total Liabilities	18,307,282	15,394,626	497,381	539,948	18,804,663	15,934,574
Net Assets						
Invested in capital assets, net of related debt	44,774,164	46,200,920	1,189,459	1,197,037	45,963,623	47,397,957
Restricted	6,619,896	8,745,866	-	-	6,619,896	8,745,866
Unrestricted	11,728,389	10,813,889	301,537	314,938	12,029,926	11,128,827
Total Net Assets	$ 63,122,449	$ 65,760,675	$ 1,490,996	$ 1,511,975	$ 64,613,445	$ 67,272,650

The $12,029,926 in unrestricted net assets of governmental and business-type activities represents the accumulated results of all past years' operations.

Change in Net Assets

The District's total revenues were $81,868,969 and total expenses were $84,528,174. 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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	$ 1,101,259	$ 1,101,564	$ 1,704,421	$ 1,716,373	$ 2,805,680	$ 2,817,937
Operating grants and contributions	15,724,270	17,863,277	846,645	1,065,667	16,570,915	18,928,944
Capital grants and contributions	15,212	27,233	-	-	15,212	27,233
General revenues:						
Federal and State aid not restricted	12,344,413	15,602,907	-	-	12,344,413	15,602,907
Property taxes	28,205,179	25,994,119	-	-	28,205,179	25,994,119
Other State revenues	19,188,871	12,330,797	-	-	19,188,871	12,330,797
Other general revenues	2,884,246	5,124,643	(145,547)	(339,302)	2,738,699	4,785,341
Total Revenues	79,463,450	78,044,540	2,405,519	2,442,738	81,868,969	80,487,278
Expenses						
Instruction-related	60,909,115	62,055,022	2,426,498	2,525,274	63,335,613	64,580,296
Student support services	6,637,382	6,880,542	-	-	6,637,382	6,880,542
Administration	4,286,884	4,320,565	-	-	4,286,884	4,320,565
Maintenance, operations and facilities	7,486,225	7,478,123	-	-	7,486,225	7,478,123
Other	2,782,070	3,036,616	-	-	2,782,070	3,036,616
Total Expenses	82,101,676	83,770,868	2,426,498	2,525,274	84,528,174	86,296,142
Change in Net Assets	$ (2,638,226)	$ (5,726,328)	$ (20,979)	$ (82,536)	$ (2,659,205)	$ (5,808,864)

Property taxes and State formula aid accounted for 51 percent of the revenue from governmental activities. Another 43.9 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 (82.3 percent). The purely administrative activities of the District accounted for five percent of total costs. Total expenses surpassed revenues, decreasing net assets by $2,659,205 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 $82,101,676.

- Some of the cost was financed by the users of the District's programs ($1,101,259)
- The Federal and State governments subsidized certain programs with grants and contributions ($15,724,270).
- Most of the District's costs, however, were financed by District taxpayers and the taxpayers of our State ($59,738,463)
- 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	
	2011	2010	2011	2010
Instruction-related activities	$ 60,909,115	$ 62,055,022	$ 49,202,440	$ 48,421,186
Student support services	6,637,382	6,880,542	2,051,571	2,390,486
Administration	4,286,884	4,320,565	3,903,396	3,756,461
Plant services	7,486,225	7,478,123	7,429,040	7,319,116
Other	2,782,070	3,036,616	2,674,488	2,891,545
Total	**$ 82,101,676**	**$ 83,770,868**	**$ 65,260,935**	**$ 64,778,794**

Business-Type Activities

Revenues of the District's business-type activities were $2,405,519, and expenses were $2,426,498.

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 2010-2011, the General Fund had revenues of $75,049,814, and expenses of $74,283,107. After factoring in transfers and other uses, the General Fund balance increased by $1,660,253 or 15.4 percent of expenses. The General Fund has maintained additional reserves above the State required three 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 $23,681,319.

Proprietary Funds

The Child Care Fund had a decrease in net assets of $20,979 to equal a balance of $1,490,996 during the 2010-2011 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 $307,466, consisting of $262,625 in bank deposits and $44,841 in stores inventories, with liabilities of $307,466 due to student groups.

Table 4

	Balances and Activity			
	June 30, 2010, as restated	Revenues	Expenditures	June 30, 2011
General Fund	$ 13,124,928	$ 75,943,360	$ 74,283,107	$ 14,785,181
Special Reserve Capital Outlay Fund	5,039,276	953,665	2,708,689	3,284,252
Cafeteria Fund	959,196	2,761,131	2,618,324	1,102,003
Capital Facilities Fund	2,029,261	533,626	270,596	2,292,291
County School Facilities Fund	2,204,658	15,212	2,278	2,217,592
Debt Service Fund	4,217	481,794	486,011	-
Total	**$ 23,361,536**	**$ 80,688,788**	**$ 80,369,005**	**$ 23,681,319**

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.

As in the prior year, between the time the District's budget was adopted in June 2010 and when it closed its books in June 2011, there were significant changes due to actions in both the State and Federal governments. As revenue at the State level decreased, California responded by actually funding a negative Cost of Living Adjustment (COLA) of -0.392 percent. At the Federal level, the American Recovery and Reinvestment Act (ARRA) continued and Ocean View School District received $725,211of ARRA funds in 2010-2011, including State Fiscal Stabilization, Title I, IDEA and McKinney-Vento funds. Other federal funds received included $1.5 million in Education Jobs Funds. These one-time funds would help to mitigate the impact of further budget cuts in 2010-2011, and also caused significant changes between the District's adopted budget and the unaudited actuals at year-end.

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 State and Federal programs and school site carryover.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

In 2010-2011, the District completed the purchase and installation of two new portable classrooms at Circle View and Mesa View in the amount of $270,567. Several servers and related technology equipment were purchased in the amount of $32,771. The Food Services Department purchased a van for $24,000 as well as six new ovens in the amount of $51,826. Other equipment purchased by the District included upgrades on fire alarms systems. A copier and a duplicator as well as a marquee were purchased with donated funds.

Long-Term Obligations

At year-end, the District had $12,659,518 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	
	2011	2010	2011	2010	2011	2010
Certificates of participation	$ 6,650,000	$ 6,875,000	$ -	$ -	$ 6,650,000	$ 6,875,000
Premium on certificates of participation	273,255	298,874	-	-	273,255	298,874
Capitalized lease obligations	120,071	151,025	112,000	178,000	232,071	329,025
Compensated absences	695,561	639,085	-	-	695,561	639,085
Other postemployment benefits	4,808,631	3,363,799	-	-	4,808,631	3,363,799
Total	**$ 12,547,518**	**$ 11,327,783**	**$ 112,000**	**$ 178,000**	**$ 12,659,518**	**$ 11,505,783**

- The liability for compensated absences increased by $56,476.
- The liability for other postemployment benefits increased by $1,444,832.
- The District did not issue any new long-term debt in 2010-2011.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Ocean View School District's enrollment saw a modest decrease in 2010-2011 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. The District expects these uncertainties to continue in 2011-2012 and will be revising its budget during the fiscal year adjustment reports (1st and 2nd Interims) to incorporate any major mid-year changes.

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:

Mark Schiel, Assistant Superintendent, Administrative Services
Ocean View School District
17200 Pinehurst Lane
Huntington Beach, California 92647

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OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 17,222,352	$ 694,849	$ 17,917,201
Receivables	11,936,902	96,557	12,033,459
Internal balances	104,488	(104,488)	-
Stores inventories	90,012	-	90,012
Deferred costs on issuance	258,487	-	258,487
Total Current Assets	29,612,241	686,918	30,299,159
Capital Assets			
Land and construction in progress	20,373,553	-	20,373,553
Other capital assets	77,814,974	1,794,341	79,609,315
Less: Accumulated depreciation	(46,371,037)	(492,882)	(46,863,919)
Total Capital Assets	51,817,490	1,301,459	53,118,949
Total Assets	81,429,731	1,988,377	83,418,108
LIABILITIES			
Accounts payable	4,910,906	282,885	5,193,791
Accrued interest	87,329	-	87,329
Deferred revenue	761,529	102,496	864,025
Long-term obligations			
Current portion of long-term obligations	564,037	14,000	578,037
Noncurrent portion of long-term obligations	11,983,481	98,000	12,081,481
Total Liabilities	18,307,282	497,381	18,804,663
NET ASSETS			
Invested in capital assets, net of related debt	44,774,164	1,189,459	45,963,623
Restricted for:			
Debt service	(87,329)	-	(87,329)
Capital projects	4,509,883	-	4,509,883
Educational programs	1,095,339	-	1,095,339
Other activities	1,102,003	-	1,102,003
Unrestricted	11,728,389	301,537	12,029,926
Total Net Assets	$ 63,122,449	$ 1,490,996	$ 64,613,445

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

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

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	$ 52,906,750	$ -	$ 10,088,109	$ 15,212
Instruction-related activities:				
Supervision of instruction	2,581,355	-	1,428,917	-
Instructional library, media, and technology	732,807	-	-	-
School site administration	4,688,203	-	174,437	-
Pupil services:				
Home-to-school transportation	1,813,025	7,703	813,067	-
Food services	2,451,074	1,048,292	1,578,884	-
All other pupil services	2,373,283	-	1,137,865	-
Administration:				
Data processing	520,151	-	-	-
All other administration	3,766,733	45,264	338,224	-
Plant services	7,486,225	-	57,185	-
Ancillary services	41,762	-	-	-
Community services	17,453	-	4,506	-
Interest on long-term obligations	274,404	-	-	-
Other outgo	211,630	-	103,076	-
Depreciation (unallocated)[1]	2,236,821	-	-	-
Total Governmental Activities	82,101,676	1,101,259	15,724,270	15,212
Business-Type Activities:				
Child care services	2,426,498	1,704,421	846,645	-
Total Business-Type Activities	2,426,498	1,704,421	846,645	-
Total School District	$ 84,528,174	$ 2,805,680	$ 16,570,915	$ 15,212
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				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - 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
$ (42,803,429)	$ -	$ (42,803,429)
(1,152,438)	-	(1,152,438)
(732,807)	-	(732,807)
(4,513,766)	-	(4,513,766)
(992,255)	-	(992,255)
176,102	-	176,102
(1,235,418)	-	(1,235,418)
(520,151)	-	(520,151)
(3,383,245)	-	(3,383,245)
(7,429,040)	-	(7,429,040)
(41,762)	-	(41,762)
(12,947)	-	(12,947)
(274,404)	-	(274,404)
(108,554)	-	(108,554)
(2,236,821)	-	(2,236,821)
(65,260,935)	-	(65,260,935)
-	124,568	124,568
-	124,568	124,568
(65,260,935)	124,568	(65,136,367)
27,892,144	-	27,892,144
313,035	-	313,035
19,188,871	-	19,188,871
12,344,413	-	12,344,413
127,946	4,453	132,399
2,606,300	-	2,606,300
62,472,709	4,453	62,477,162
(2,788,226)	129,021	(2,659,205)
150,000	(150,000)	-
62,622,709	(145,547)	62,477,162
(2,638,226)	(20,979)	(2,659,205)
65,760,675	1,511,975	67,272,650
$ 63,122,449	$ 1,490,996	$ 64,613,445

OCEAN VIEW SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 7,954,003	$ 3,660,237	$ 5,608,112	$ 17,222,352
Receivables	11,570,843	21,702	344,357	11,936,902
Due from other funds	212,558	-	42	212,600
Stores inventories	77,002	-	13,010	90,012
Total Assets	$ 19,814,406	$ 3,681,939	$ 5,965,521	$ 29,461,866
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 4,295,941	$ 397,687	$ 217,278	$ 4,910,906
Due to other funds	42	-	108,070	108,112
Deferred revenue	733,242	-	28,287	761,529
Total Liabilities	5,029,225	397,687	353,635	5,780,547
Fund Balances:				
Nonspendable	128,002	-	14,010	142,012
Restricted	1,095,339	-	5,447,876	6,543,215
Assigned	11,381,990	3,284,252	-	14,666,242
Unassigned	2,179,850	-	150,000	2,329,850
Total Fund Balances	14,785,181	3,284,252	5,611,886	23,681,319
Total Liabilities and Fund Balances	$ 19,814,406	$ 3,681,939	$ 5,965,521	$ 29,461,866

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 ASSETS
JUNE 30, 2011

Total Fund Balance - Governmental Funds		**$ 23,681,319**
Amounts Reported for Governmental Activities in the Statement of Net Assets 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	$ 98,188,527	
Accumulated depreciation is	(46,371,037)	
Net Capital Assets		51,817,490
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.		258,487
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.		(87,329)
Long-term obligations at year-end consist of:		
Certificates of participation	(6,650,000)	
Premium on certificates of participation	(273,255)	
Compensated absences	(695,561)	
Capital lease obligations	(120,071)	
Other postemployment benefits (OPEB)	(4,808,631)	
Total Long-Term Obligations		(12,547,518)
Total Net Assets - Governmental Activities		**$ 63,122,449**

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, 2011

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	$ 47,081,015	$ -	$ -	$ 47,081,015
Federal sources	6,340,707	-	1,549,051	7,889,758
Other State sources	12,752,552	-	112,148	12,864,700
Other local sources	8,875,540	953,665	1,648,772	11,477,977
Total Revenues	75,049,814	953,665	3,309,971	79,313,450
EXPENDITURES				
Current				
Instruction	51,894,262	-	-	51,894,262
Instruction-related activities:				
Supervision of instruction	2,535,968	-	-	2,535,968
Instructional library, media and technology	717,443	-	-	717,443
School site administration	4,592,062	-	-	4,592,062
Pupil services:				
Home-to-school transportation	1,784,583	-	-	1,784,583
Food services	-	-	2,513,426	2,513,426
All other pupil services	2,329,682	-	-	2,329,682
Administration:				
Data processing	520,933	-	-	520,933
All other administration	3,601,161	-	115,067	3,716,228
Plant services	5,999,798	1,334,587	18,884	7,353,269
Facility acquisition and construction	9,348	148,764	243,821	401,933
Ancillary services	41,147	-	-	41,147
Community services	5,069	-	-	5,069
Other outgo	207,413	-	-	207,413
Debt service				
Principal	30,954	-	225,000	255,954
Interest and other	13,284	-	261,011	274,295
Total Expenditures	74,283,107	1,483,351	3,377,209	79,143,667
Excess (Deficiency) of Revenues Over Expenditures	766,707	(529,686)	(67,238)	169,783
Other Financing Sources (Uses)				
Transfers in	893,546	-	481,792	1,375,338
Transfers out	-	(1,225,338)	-	(1,225,338)
Net Financing Sources (Uses)	893,546	(1,225,338)	481,792	150,000
NET CHANGE IN FUND BALANCES	1,660,253	(1,755,024)	414,554	319,783
Fund Balances - Beginning	10,794,951	5,039,276	7,527,309	23,361,536
Prior Period Restatement	2,329,977		(2,329,977)	-
Fund Balances - Ending	$ 14,785,181	$ 3,284,252	$ 5,611,886	$ 23,681,319

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, 2011

Total Net Change in Fund Balances - Governmental Funds		**$ 319,783**
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 Assets 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	$ (2,236,821)	
Capital outlays	528,492	
Net Expense Adjustment		(1,708,329)
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.		(1,444,832)
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 more than the amounts used by $56,476.		(56,476)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
Certificates of participation		225,000
Capital lease obligations		30,954

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

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, 2011

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	$ 25,619	
Amortization of deferred costs on issuance	(24,233)	
Combined adjustment		$ 1,386

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 increased by $5,712. (5,712)

Change in Net Assets of Governmental Activities	**$ (2,638,226)**

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

OCEAN VIEW SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Child Care
ASSETS	
Current Assets	
Deposits and investments	$ 694,849
Receivables	96,557
Total Current Assets	791,406
Noncurrent Assets	
Capital assets	1,794,341
Less: Accumulated depreciation	(492,882)
Total Noncurrent Assets	1,301,459
Total Assets	2,092,865
LIABILITIES	
Current Liabilities	
Accounts payable	282,885
Due to other funds	104,488
Deferred revenue	102,496
Current portion of long-term obligations	66,000
Total Current Liabilities	555,869
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	46,000
NET ASSETS	
Invested in capital assets, net of related debt	1,189,459
Unrestricted	301,537
Total Net Assets	$ 1,490,996

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 ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities
	Child Care
OPERATING REVENUES	
Charges for services	$ 1,704,421
OPERATING EXPENSES	
Payroll costs	2,100,817
Professional and contract services	70,618
Supplies and materials	80,052
Facility rental	4,419
Other operating costs	97,014
Depreciation	73,578
Total Operating Expenses	2,426,498
Operating Loss	(722,077)
NONOPERATING REVENUES	
Interest income	4,453
Grants	846,645
Total Nonoperating Revenues	851,098
Income Before Transfers	129,021
Transfers out	(150,000)
Change in Net Assets	(20,979)
Total Net Assets - Beginning	1,511,975
Total Net Assets - Ending	$ 1,490,996

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, 2011

	Business-Type Activities	
		Child Care
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$	1,698,139
Cash payments to suppliers for goods and services		(119,299)
Cash payments to employees for services		(2,123,205)
Other operating cash payments		(251,433)
Net Cash Used by Operating Activities		(795,798)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Non-operating grants received		845,721
Net Cash Provided by Non-Capital Financing Activities		845,721
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt		(66,000)
Net Cash Used by Capital and Related Financing Activities		(66,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		4,453
Net Cash Provided by Investing Activities		4,453
Net Decrease in Cash and Cash Equivalents		(11,624)
Cash and Cash Equivalents - Beginning		706,473
Cash and Cash Equivalents - Ending	$	694,849
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(722,077)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Transfers to other funds		(150,000)
Depreciation		73,578
Changes in assets and liabilities:		
Accounts receivable		(2,093)
Due from other funds		4,820
Accounts payable		27,622
Due to other funds		(23,459)
Deferred revenue		(4,189)
NET CASH USED BY OPERATING ACTIVITIES	$	(795,798)

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

OCEAN VIEW SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Agency Funds Student Funds
ASSETS	
Deposits and investments	$ 262,625
Stores inventories	44,841
Total Assets	$ 307,466
LIABILITIES	
Accounts payable	$ 24,066
Due to student groups	283,400
Total Liabilities	$ 307,466

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 and report all financial resources not accounted for and reported in another 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 $1,840,852, $1,840,702, $12,646, and $1,921 respectively.

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).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

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 expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of 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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), 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.).

Debt Service Funds The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

Debt Service Fund The Debt Service Fund is used to account for the interest and redemption of principal of the Refunding Certificates of Participation.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds 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 fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District has the following fiduciary fund:

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 assets 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 assets 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 assets. The statement of changes in fund net assets 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, 2011, 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 assets. 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 assets, 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 assets. 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, 2011, 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

In fiscal year 2010-2011, 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 3 percent of General Fund expenditures and other financing uses.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available. The government-wide financial statements report $6,619,896 of restricted net assets, 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 March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable,* such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this Statement for the year ended June 30, 2011.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship, or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	$ 17,222,352
Business-type activities	694,849
Fiduciary funds	262,265
Total Deposits and Investments	$ 18,179,466

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	$ 365,822
Cash in revolving	52,000
Investments	17,761,644
Total Deposits and Investments	$ 18,179,466

Policies and Practices

The District is authorized under California Government Code and the Entity'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 and money market funds.

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	Maturity Date/ Average Maturity in Days
County Pool	$ 17,761,644	$ 17,790,611	289 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, 2011, the District's bank balances were within the Federally insured limits.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise
Federal Government					
Categorical aid	$ 3,093,559	$ -	$ 288,059	$ 3,381,618	$ -
State Government					
Apportionment	5,404,670	-	-	5,404,670	-
Categorical aid	1,749,756	-	23,238	1,772,994	78,822
Lottery	646,044	-	-	646,044	-
Local Government					
Interest	14,694	2,902	4,331	21,927	561
Other Local Sources	662,120	18,800	28,729	709,649	17,174
Total	$ 11,570,843	$ 21,702	$ 344,357	$ 11,936,902	$ 96,557

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 10,554,104	$ -	$ -	$ 10,554,104
Construction in process	9,746,003	110,671	37,225	9,819,449
Total Capital Assets Not Being Depreciated	20,300,107	110,671	37,225	20,373,553
Capital Assets Being Depreciated				
Land improvements	7,173,759	-	-	7,173,759
Buildings and improvements	57,746,929	270,567	-	58,017,496
Furniture and equipment	12,454,740	184,479	15,500	12,623,719
Total Capital Assets Being Depreciated	77,375,428	455,046	15,500	77,814,974
Less Accumulated Depreciation				
Land improvements	6,048,559	72,378	-	6,120,937
Buildings and improvements	28,249,335	1,672,868	-	29,922,203
Furniture and equipment	9,851,822	491,575	15,500	10,327,897
Total Accumulated Depreciation	44,149,716	2,236,821	15,500	46,371,037
Governmental Activities Capital Assets, Net	$ 53,525,819	$ (1,671,104)	$ 37,225	$ 51,817,490
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	406,841	70,360	-	477,201
Furniture and equipment	12,463	3,218	-	15,681
Total Accumulated Depreciation	419,304	73,578	-	492,882
Business-Type Activities Capital Assets, Net	$ 1,375,037	$ (73,578)	$ -	$ 1,301,459

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, 2011, between major and non-major governmental funds, and non-major enterprise funds are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Child Care Enterprise Fund	Total
General Fund	$ -	$ 108,070	$ 104,488	$ 212,558
Non-Major Governmental Funds	42	-	-	42
Total	$ 42	$ 108,070	$ 104,488	$ 212,600

The balance of $108,070 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect and payroll related costs paid by the General Fund but incurred by the Cafeteria Fund. The balance of $104,488 due to the General Fund from the Child Care Enterprise Fund resulted from indirect and payroll related costs paid by the General Fund but incurred by the Child Care Enterprise. All remaining balances are for the reimbursement of operating costs/program expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

	Transfer From		
Transfer To	Special Reserve Capital Outlay Fund	Child Care Enterprise Fund	Total
General Fund	$ 743,546	$ 150,000	$ 893,546
Non-Major Governmental Funds	481,792	-	481,792
Total	$ 1,225,338	$ 150,000	$ 1,375,338

The Special Reserve Capital Outlay Fund transferred to the General Fund for deferred maintenance.	$ 743,546
The Special Reserve Capital Outlay Fund transferred to the COP Debt Service Fund for the debt service payments.	481,792
The Child Care Enterprise Fund transferred surplus parent fees to the General Fund as a contribution.	150,000
Total	$ 1,375,338

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, 2011, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Salaries and benefits	$ 3,775,931	$ -	$ 128,113	$ 3,904,044	$ 224,410
Materials and supplies	54,260	-	27,465	81,725	2,375
Services and other operating	305,446	323,715	4,881	634,042	4,039
Construction	1,076	535	55,340	56,951	-
Other vendor payables	159,228	73,437	1,479	234,144	52,061
Total	$ 4,295,941	$ 397,687	$ 217,278	$ 4,910,906	$ 282,885

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Federal financial assistance	$ 722,162	$ -	$ 722,162	$ -
Other local	11,080	28,287	39,367	102,496
Total	$ 733,242	$ 28,287	$ 761,529	$ 102,496

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

Governmental Activities

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
Certificates of participation	$ 6,875,000	$ -	$ 225,000	$ 6,650,000	$ 530,000
Premium on certificates of participation	298,874	-	25,619	273,255	-
Compensated absences	639,085	56,476	-	695,561	-
Capital leases	151,025	-	30,954	120,071	34,037
Other postemployment benefits	3,363,799	1,444,832	-	4,808,631	-
	$ 11,327,783	$ 1,501,308	$ 281,573	$ 12,547,518	$ 564,037
Business-Type Activities					
Capital leases	$ 178,000	$ -	$ 66,000	$ 112,000	$ 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.

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, 2011, the outstanding balance on the 2010 Refunding Certificates of Participation was $6,650,000. As of June 30, 2011, the unamortized premium received on issuance and deferred costs of issuance amounted to $273,255 and $258,487, respectively.

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

Year Ending June 30,	Principal	Interest	Total
2012	$ 530,000	$ 261,988	$ 791,988
2013	550,000	246,088	796,088
2014	570,000	226,838	796,838
2015	590,000	206,888	796,888
2016	615,000	184,762	799,762
2017-2021	3,445,000	537,150	3,982,150
2022	350,000	14,874	364,874
Total	$ 6,650,000	$ 1,678,588	$ 8,328,588

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2011, amounted to $695,561.

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	$ 169,444
Payments	(40,667)
Balance, End of Year	$ 128,777

Business-Type Activities

	Modulars
Balance, Beginning of Year	$ 178,000
Payments	(66,000)
Balance, End of Year	$ 112,000

The capital leases have minimum lease payments as follows:

Governmental Activities

Year Ending June 30,	Lease Payment
2012	$ 40,667
2013	40,667
2014	40,667
2015	6,776
Total	128,777
Less: Amount Representing Interest	8,706
Present Value of Minimum Lease Payments	$ 120,071

Business-Type Activities

Year Ending June 30,	Lease Payment
2012	$ 14,000
2013	14,000
2014	14,000
2015	14,000
2016	14,000
2017-2018	42,000
Total	$ 112,000

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was $2,696,602, and contributions made by the District during the year were $1,211,560. Interest on the net OPEB obligation and adjustments to the annual required contribution were $168,190 and ($208,400), respectively, which resulted in an increase to the net OPEB obligation of $1,444,832. As of June 30, 2011, the net OPEB obligation was $4,808,631. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 51,000	$ -	$ 1,000	$ 52,000
Stores inventories	77,002	-	13,010	90,012
Total Nonspendable	128,002	-	14,010	142,012
Restricted				
Legally restricted programs	1,095,339	-	937,993	2,033,332
Capital projects	-	-	4,509,883	4,509,883
Total Restricted	1,095,339	-	5,447,876	6,543,215
Assigned				
Site carryover	814,613	-	-	814,613
Health benefits pool	106,917	-	-	106,917
Tier III programs	1,038,874	-	-	1,038,874
Emergency reserve	7,580,884	-	-	7,580,884
Capital projects	-	3,284,252	-	3,284,252
Other assignments	1,840,702	-	-	1,840,702
Total Assigned	11,381,990	3,284,252	-	14,666,242
Unassigned				
Reserve for economic uncertainties	2,179,850	-	150,000	2,329,850
Total Unassigned	2,179,850	-	150,000	2,329,850
Total	$ 14,785,181	$ 3,284,252	$ 5,611,886	$ 23,681,319

NOTE 10 - 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
2012	$ 1,254,803
2013	1,052,413
2014	1,075,503
2015	978,738
2016	1,014,962
2017-2021	5,326,110
2022-2026	4,340,585
2027-2031	2,656,250
2032-2036	2,809,375
2037-2038	3,031,250
Thereafter	18,619,375
Total	$ 42,159,364

NOTE 11 - 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 256 retirees and beneficiaries currently receiving benefits, 22 terminated Plan members entitled to but not yet receiving benefits, and 653 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 2010-2011, the District contributed $1,211,560 to the Plan, all of which was used for current premiums (approximately 71 percent of total premiums). Plan members receiving benefits contributed $505,602, or approximately 29 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	168,190
Adjustment to annual required contribution	(208,400)
Annual OPEB cost (expense)	2,656,392
Contributions made	(1,211,560)
Increase in net OPEB obligation	1,444,832
Net OPEB obligation, beginning of year	3,363,799
Net OPEB obligation, end of year	$ 4,808,631

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
2009	$ 2,696,602	$ 913,552	34%	$ 1,783,050
2010	2,675,288	1,094,539	41%	3,363,799
2011	2,656,392	1,211,560	46%	4,808,631

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%	$ 41,332,057	55%

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, 2011, was 28 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 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2011, 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 2011, 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 South Counties Employer Employee Trust (SCEET) 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. SCEET and ASCIP are shared risk pools comprised of several local education agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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, 7919 Folsom Blvd., Sacramento, California 95826.

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 2010-2011 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, 2011, 2010, and 2009, were $3,119,783, $3,211,263, and $3,298,620, 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 2010-2011 was 10.707 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, 2011, 2010, and 2009 were $1,511,412, $1,450,571, and $1,434,914, 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 $1,611,349 (4.267 percent of annual payroll). 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 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

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, 2011.

NOTE 15 - 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, 2011, the District made payments of $496,684, $798,485, $6,524,036 and $941,354 to Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency, South Counties Employer Employee Trust, and Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority, respectively, for annual premium payments.

NOTE 16 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-2010 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), 28 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 17 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011 to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balances for Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, as presented in the Non-Major Governmental Fund opinion unit, are reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

General Fund		
Fund Balance - Beginning	$	10,794,951
Change in accounting principles to conform to GASB Statement No. 54		2,329,977
Fund Balance - Beginning as Restated	$	13,124,928
Non-Major Governmental Funds		
Fund Balance - Beginning	$	7,527,309
Change in accounting principles to conform to GASB Statement No. 54		(2,329,977)
Fund Balance - Beginning as Restated	$	5,197,332

REQUIRED SUPPLEMENTARY INFORMATION

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OCEAN VIEW SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 44,535,794	$ 46,881,360	$ 47,081,015	$ 199,655
Federal sources	4,193,376	6,288,859	6,340,707	51,848
Other State sources	10,371,954	11,108,602	12,752,552	1,643,950
Other local sources	7,756,275	8,570,415	8,875,540	305,125
Total Revenues [1]	66,857,399	72,849,236	75,049,814	2,200,578
EXPENDITURES				
Current				
Certificated salaries	37,489,731	37,913,243	37,920,833	(7,590)
Classified salaries	13,672,913	13,460,993	13,676,521	(215,528)
Employee benefits	12,847,221	12,747,306	14,566,526	(1,819,220)
Books and supplies	2,010,542	3,346,216	3,007,499	338,717
Services and operating expenditures	5,202,887	5,409,483	5,015,842	393,641
Capital outlay	10,000	30,211	46,148	(15,937)
Other outgo	22,434	33,365	49,738	(16,373)
Total Expenditures [1]	71,255,728	72,940,817	74,283,107	(1,342,290)
Excess (Deficiency) of Revenues Over Expenditures	(4,398,329)	(91,581)	766,707	858,288
Other Financing Sources				
Transfers in	1,243,546	1,393,546	893,546	(500,000)
Net Financing Sources	1,243,546	1,393,546	893,546	(500,000)
NET CHANGE IN FUND BALANCE	(3,154,783)	1,301,965	1,660,253	358,288
Fund Balance - Beginning	10,794,951	10,794,951	10,794,951	-
Prior Period Restatement	-	-	2,329,977	2,329,977
Fund Balance - Ending	$ 7,640,168	$ 12,096,916	$ 14,785,181	$ 2,688,265

[1] On behalf payments of $1,611,349 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, 2011

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	$ -	$ 41,332,057	55%

SUPPLEMENTARY INFORMATION

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OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

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]	$ 125,904
Passed through California Department of Education (CDE):			
Education Jobs Fund	84.410	25152	896,421
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	1,105,038
ARRA Title I, Part A - Basic Grants Low-Income and Neglected	84.389	15005	158,628
Subtotal Title I, Part A - Grants to Local Educational Agencies Cluster			1,263,666
Title I, Part B - Even Start Family Literacy Program	84.213	14331	132,610
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	378,754
Title II, Part D - Educational Technology State Grants Cluster			
Title II, Part D - Enhancing Education Through Technology, Formula Grants	84.318	14334	12,087
Title II, Part D - Enhancing Education Through Technology, Competitive Grants	84.318	14368	200
ARRA Title II, Part D - Enhancing Education Through Technology	84.386	15019	22,190
Subtotal Title II, Part D - Educational Technology State Grants Cluster			34,477
Title III - English Language Acquisition Grants			
Title III - Limited English Proficient Student Program	84.365	10084	14,483
Title III - Immigrant Education Program	84.365	14346	258,388
Subtotal Title III - English Language Acquisition Grants			272,871
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	14347	30,082
Title X - Education of Homeless Children and Youth Cluster			
Title X - McKinney-Vento Homeless Children Assistance	84.196	14332	27,619
ARRA Title X - McKinney-Vento Homeless Children Assistance	84.387	15007	23,650
Subtotal Title X - Education of Homeless Children and Youth Cluster			51,269
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	$ 77,172
Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,589,258
Local Assistance Entitlement, Part B, Sec 611 - Private School ISPs	84.027	10115	16,046
ARRA Local Assistance Entitlement, Part B, Sec 611	84.391	15003	107,899
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	177,403
Subtotal IDEA Cluster			1,967,778
State Improvement Grant, Improving Special Ed Systems	84.323	14577	76,817
Total U.S. Department of Education			5,230,649

[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, 2011 (Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	$ 1,333,115
Especially Needy Breakfast	10.553	13390	149,828
Commodities	10.555	13396	23,188
Subtotal Child Nutrition Cluster			1,506,131
Fresh Fruit and Vegetables Program	10.582	14968	42,920
Total U.S. Department of Agriculture			1,549,051
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	295,715
Medi-Cal Administrative Activities	93.778	10060	249,164
Subtotal Medical Assistance Program Cluster			544,879
Total U.S. Department of Health and Human Services			544,879
Total Expenditures of Federal Awards			$ 7,324,579

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2011

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	2012
Ms. Tracy Pellman	Clerk	2014
Mr. John Briscoe	Member	2014
Mr. John Ortiz	Member	2014
Mr. Norm Westwell	Member	2012

ADMINISTRATION

Dr. William Loose	Superintendent
Ms. Kathy Frazier	Assistant Superintendent, Curriculum and Instruction
Mr. Mark Schiel	Assistant Superintendent, Administrative Services

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,135	1,137
First through third	2,937	2,940
Fourth through sixth	2,868	2,869
Seventh and eighth	2,020	2,019
Special education	281	285
Total Elementary	9,241	9,250

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	35,200	34,222	36,000	35,000	35,000	175	N/A	Complied
Grades 1 - 3	48,911	47,552	50,400	49,000				
Grade 1					49,040	175	N/A	Complied
Grade 2					49,040	175	N/A	Complied
Grade 3					49,040	175	N/A	Complied
Grades 4 - 5	57,967	56,357	54,000	52,500				
Grade 4					56,720	175	N/A	Complied
Grade 5					56,720	175	N/A	Complied
Grades 6 - 8	57,967	56,357	54,000	52,500				
Grade 6					56,470	175	N/A	Complied
Grade 7					56,470	175	N/A	Complied
Grade 8					56,470	175	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, 2011

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 [1]	2011	2010	2009
GENERAL FUND [4]				
Revenues	$ 69,698,932	$ 75,027,820	$ 73,412,502	$ 79,197,025
Other sources and transfers in	922,000	1,393,546	946,690	422,000
Total Revenues and Other Sources	70,620,932	76,421,366	74,359,192	79,619,025
Expenditures	72,987,339	74,271,837	76,317,170	78,161,248
Other uses and transfers out	-	-	-	491,038
Total Expenditures and Other Uses	72,987,339	74,271,837	76,317,170	78,652,286
INCREASE (DECREASE) IN FUND BALANCE	$ (2,366,407)	$ 2,149,529	$ (1,957,978)	$ 966,739
ENDING FUND BALANCE	$ 10,578,073	$ 12,944,480	$ 10,794,951	$ 12,752,929
AVAILABLE RESERVES [2]	$ 2,189,640	$ 2,179,850	$ 2,239,510	$ 2,305,530
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.00%	3.00%	3.00%	3.00%
LONG-TERM OBLIGATIONS	N/A	$ 12,659,518	$ 11,505,783	$ 10,383,970
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,198	9,241	9,259	9,225

The General Fund balance has increased by $191,551 over the past two years. The fiscal year 2011-2012 budget projects a decrease of $2,366,407 (18 percent). For a District this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have increased by $2,275,548 over the past two years.

Average daily attendance has increased by 16 over the past two years. However, a decline of 43 ADA is anticipated during fiscal year 2011-2012.

[1] Budget 2012 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 $1,611,349, $1,796,971, and $1,927,588 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011, 2010, and 2009, 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 Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

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OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	$ 1,119,679	$ 2,272,365	$ 2,216,068	$ 5,608,112
Receivables	318,275	24,370	1,712	344,357
Due from other funds	-	42	-	42
Stores inventories	13,010	-	-	13,010
Total Assets	$ 1,450,964	$ 2,296,777	$ 2,217,780	$ 5,965,521
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 212,604	$ 4,486	$ 188	$ 217,278
Due to other funds	108,070	-	-	108,070
Deferred revenue	28,287	-	-	28,287
Total Liabilities	348,961	4,486	188	353,635
Fund Balances:				
Nonspendable	14,010	-	-	14,010
Restricted	937,993	2,292,291	2,217,592	5,447,876
Unassigned	150,000	-	-	150,000
Total Fund Balances	1,102,003	2,292,291	2,217,592	5,611,886
Total Liabilities and Fund Balances	$ 1,450,964	$ 2,296,777	$ 2,217,780	$ 5,965,521

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, 2011

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects
REVENUES			
Federal sources	$ 1,549,051	$ -	$ -
Other State sources	112,148	-	-
Other local sources	1,099,932	-	-
Total Revenues	2,761,131	-	-
EXPENDITURES			
Current			
Food services	2,513,426	-	-
Administration:			
All other administration	104,898	-	-
Plant services	-	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,618,324	-	-
Excess (Deficiency) of Revenues Over Expenditures	142,807	-	-
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	142,807	-	-
Fund Balances - Beginning	959,196	2,265,378	64,599
Restatement	-	(2,265,378)	(64,599)
Fund Balances - Ending	$ 1,102,003	$ -	$ -

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 1,549,051
-	-	-	112,148
533,626	15,212	2	1,648,772
533,626	15,212	2	3,309,971
-	-	-	2,513,426
10,169	-	-	115,067
16,606	2,278	-	18,884
243,821	-	-	243,821
-	-	225,000	225,000
-	-	261,011	261,011
270,596	2,278	486,011	3,377,209
263,030	12,934	(486,009)	(67,238)
-	-	481,792	481,792
263,030	12,934	(4,217)	414,554
2,029,261	2,204,658	4,217	7,527,309
-	-	-	(2,329,977)
$ 2,292,291	$ 2,217,592	$ -	$ 5,611,886

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, 2011

(Amounts in thousands)	Actual Results for the Years					
	2010-2011		2009-2010		2008-2009	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 6,341	8.3	$ 7,365	10.0	$ 7,740	9.8
State and local revenue included in revenue limit	47,081	61.6	44,373	60.5	50,343	63.6
Other State revenue	12,752	16.7	12,331	16.8	12,631	15.9
Other local revenue	8,854	11.6	3,302	4.5	3,186	4.0
Tuition and transfers in	1,393	1.8	6,041	8.2	5,297	6.7
Total Revenues	76,421	100.0	73,412	100.0	79,197	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	37,921	49.6	38,908	53.0	40,372	51.0
Classified salaries	13,676	17.9	14,194	19.3	14,506	18.3
Employee benefits	14,567	19.1	14,308	19.5	15,075	19.0
Total Salaries and Benefits	66,164	86.6	67,410	91.8	69,953	88.3
Books and supplies	3,007	3.9	3,041	4.1	2,976	3.8
Services and operating expenses	5,014	6.6	5,080	6.9	5,138	6.5
Capital outlay	37	0.0	576	0.8	131	0.2
Other outgo	19	0.0	150	0.2	(61)	(0.1)
Debt service	31	0.0	60	0.1	24	-
Total Expenditures	74,272	97.1	76,317	103.9	78,161	98.7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,149	2.9	(2,905)	(3.9)	1,036	1.3
OTHER FINANCING SOURCES (USES)	-	-	947	1.3	(69)	(0.1)
INCREASE (DECREASE) IN FUND BALANCE	2,149	2.9	(1,958)	(2.6)	967	1.2
FUND BALANCE, BEGINNING	10,795	14.1	12,753	17.4	11,786	14.9
FUND BALANCE, ENDING	$ 12,944	17.0	$ 10,795	14.8	$ 12,753	16.1

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, 2011

(Amounts in thousands)

	Actual Results for the Years					
	2010-2011		2009-2010		2008-2009	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal meal program	$ 1,549	56.0	$ 1,490	54.6	$ 1,446	52.4
State meal program	112	4.1	132	4.8	98	3.5
Food sales	1,093	39.6	1,092	40.0	1,204	43.6
Other	7	0.3	15	0.6	14	0.5
Total Revenues	2,761	100.0	2,729	100.0	2,762	100.0
EXPENDITURES						
Salaries and employee benefits	928	33.6	946	34.6	952	34.5
Food	1,345	48.7	1,336	49.0	1,369	49.6
Supplies	99	3.6	101	3.7	81	2.9
Other	246	8.9	175	6.4	179	6.5
Total Expenditures	2,618	94.8	2,558	93.7	2,581	93.5
INCREASE (DECREASE) IN FUND BALANCE	143	5.2	171	6.3	181	6.5
FUND BALANCE, BEGINNING	959	34.7	788	28.9	607	22.0
FUND BALANCE, ENDING	$ 1,102	39.9	$ 959	35.2	$ 788	28.5

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2010-2011		2009-2010		2008-2009	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	209,480	30.9	212,807	31.7	226,150	31.8
Reduced price	50,405	7.4	73,673	11.0	72,079	10.1
Free	417,321	61.7	385,392	57.3	414,018	58.1
Total Lunches	677,206	100.0	671,872	100.0	712,247	100.0
BREAKFAST						
Paid	6,414	7.0	5,723	5.8	5,868	5.7
Reduced price	4,840	5.3	11,953	12.1	14,016	13.6
Free	80,167	87.7	80,945	82.1	83,291	80.7
Total Breakfast	91,421	100.0	98,621	100.0	103,175	100.0

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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 primarily of ARRA - State Fiscal Stabilization Funds and Medi-Cal Billing Option Funds which have been recorded in the current period as revenues that have not been expended as of June 30, 2011. These unspent balances are reported as legally restricted ending balances within the General Fund:

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities:		$ 7,889,758
ARRA - State Fiscal Stabilization Funds	84.394	(412,844)
Medi-Cal Billing Option	93.778	(152,335)
Total Schedule of Expenditures of Federal Awards		$ 7,324,579

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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.

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INDEPENDENT AUDITORS' REPORTS

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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 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 as of and for the year ended June 30, 2011, which collectively comprise Ocean View School District's basic financial statements and have issued our report thereon dated December 14, 2011. 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.

Internal Control Over Financial Reporting

The management of Ocean View School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ocean View School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ocean View School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ocean View School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

We noted certain matters that we reported to management of Ocean View School District in a separate letter dated December 14, 2011.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
Ocean View School District
Huntington Beach, California

Compliance

We have audited Ocean View School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ocean View School District's major Federal programs for the year ended June 30, 2011. Ocean View School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Ocean View School District's management. Our responsibility is to express an opinion on Ocean View School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Ocean View School District's compliance with those requirements.

In our opinion, Ocean View School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

The management of Ocean View School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Ocean View School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2011

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Ocean View School District
Huntington Beach, California

We have audited Ocean View School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Ocean View School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Ocean View School District's management. Our responsibility is to express an opinion on Ocean View School District's compliance based on our audit.

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 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Ocean View School District's compliance with those requirements.

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, 2011.

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	8	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

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	Procedures in Audit Guide	Procedures Performed
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
Public hearing requirement - receipt of funds	1	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	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	3	Not Applicable

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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OCEAN VIEW SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
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 Number(s)	Name of Federal Program or Cluster
84.410	Education Jobs Fund
84.367	Title II, Part A - Improving Teacher Quality
10.555, 10.553	Child Nutrition Cluster
93.778	Medical Assistance Program 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:	Unqualified

OCEAN VIEW SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

None reported.

OCEAN VIEW SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

None reported.

OCEAN VIEW SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

None reported.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.

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Governing Board
Ocean View School District
Huntington Beach, California

In planning and performing our audit of the financial statements of Ocean View School District for the year ended June 30, 2011, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 14, 2011, on the financial statements of Ocean View School District.

OTHER POSTEMPLOYMENT BENEFITS

Observation

While the District has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* the District's application of the Statement may not be consistent with guidance related to frequency of valuations. For compliance in application of this statement, the District must obtain a new actuarial valuation every two years. 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.

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.

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ASSOCIATED STUDENT BODY (ASB)

Vista View Middle School

Observations

1. One of the seventeen disbursements tested was lacking the Principal's signature on the "Authorization for Payment" form. The form was only signed by the student body Treasurer and the ASB Advisor.

2. One of the seventeen disbursements tested was not properly pre-approved within the student body meeting minutes prior to the check being issued. More specifically, the ASB paid for physical education clothing during the summer without receiving approval within the student body minutes.

Recommendations

1. Education code section 48933(b) requires that all ASB expenses must receive prior approval by three people. These signatures must include a student representative, a board designee (site administrator) and a certified advisor. The District should ensure that each "Authorization for Payment" form has the required signatures prior to issuing a corresponding check from the ASB bank account.

2. All expenses for an organized ASB must be pre-approved within the ASB meeting minutes. When expenses can be anticipated to occur during the summer, the ASB should approve them before the end of the previous school year.

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

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 14, 2011