



**OCEAN VIEW SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

OCEAN VIEW SCHOOL DISTRICT

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FINANCIAL SECTION



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, 2010, 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 2009-10*, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, 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 53 and 54, is not a required part of the basic financial statements, but is 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.

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, Irwin, Day & Co., LLP

Rancho Cucamonga, California

November 24, 2010



"Equity and
Excellence"

Ocean View School District

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George Clemens, 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, 2010. 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.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2010

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

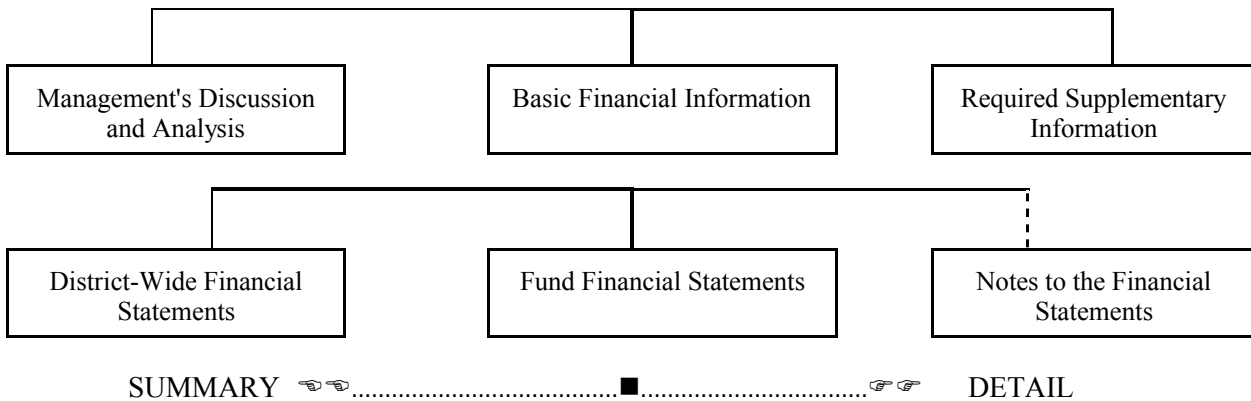
Type of Statements	District-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District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

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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

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



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

FINANCIAL HIGHLIGHTS

The District's financial status remains positive. The ending balance of the General Fund decreased \$1,957,978 between July 1, 2009 and June 30, 2010. 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, 2010, with an emergency reserve of 6.7 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 2010-2011 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 \$1,121,813 or 9.7 percent. This increase is due to GASB Statement No. 45 which requires Other Postemployment Benefits to be included with long-term obligations.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's combined net assets were \$67,272,650 for the fiscal year ended June 30, 2010. Of this amount, \$11,128,827 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	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 27,629,482	\$ 31,768,149	\$ 676,886	\$ 785,392	\$ 28,306,368	\$ 32,553,541
Capital assets	53,525,819	54,773,132	1,375,037	1,441,048	54,900,856	56,214,180
Total Assets	81,155,301	86,541,281	2,051,923	2,226,440	83,207,224	88,767,721
Liabilities						
Current liabilities	4,066,843	4,914,308	361,948	387,929	4,428,791	5,302,237
Long-term obligations	11,327,783	10,139,970	178,000	244,000	11,505,783	10,383,970
Total Liabilities	15,394,626	15,054,278	539,948	631,929	15,934,574	15,686,207
Net Assets						
Invested in capital assets, net of related debt	46,200,920	46,994,160	1,197,037	1,197,048	47,397,957	48,191,208
Restricted	8,745,866	13,087,905	-	-	8,745,866	13,087,905
Unrestricted	10,813,889	11,404,938	314,938	397,463	11,128,827	11,802,401
Total Net Assets	\$ 65,760,675	\$ 71,487,003	\$ 1,511,975	\$ 1,594,511	\$ 67,272,650	\$ 73,081,514

The \$11,128,827 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

Change in Net Assets

The District's total revenues were \$80,487,278 and total expenses were \$86,296,142. Table 2 presents total revenues and total expenses for governmental activities and business-type activities by category.

See Table 2 next page

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Table 2

	Governmental Activities		Business-Type Activities		School District Activities	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 1,101,564	\$ 1,212,044	\$ 1,716,373	\$ 1,956,352	\$ 2,817,937	\$ 3,168,396
Operating grants and contributions	17,863,277	17,525,798	1,065,667	841,420	18,928,944	18,367,218
Capital grants and contributions	27,233	45,366	-	-	27,233	45,366
General revenues:						
Federal and State aid not restricted	15,602,907	21,932,793	-	-	15,602,907	21,932,793
Property taxes	25,994,119	28,288,546	-	-	25,994,119	28,288,546
Other State revenues	12,330,797	6,128,390	-	-	12,330,797	6,128,390
Other general revenues	5,124,643	9,734,357	(339,302)	133,209	4,785,341	9,867,566
Total Revenues	78,044,540	84,867,294	2,442,738	2,930,981	80,487,278	87,798,275
Expenses						
Instruction-related	62,055,022	64,535,853	2,525,274	2,835,697	64,580,296	67,371,550
Student support services	6,880,542	6,953,646	-	-	6,880,542	6,953,646
Administration	4,320,565	4,146,275	-	-	4,320,565	4,146,275
Maintenance, operations and facilities	7,478,123	7,395,512	-	-	7,478,123	7,395,512
Other	3,036,616	3,393,561	-	-	3,036,616	3,393,561
Total Expenses	83,770,868	86,424,847	2,525,274	2,835,697	86,296,142	89,260,544
Change in Net Assets	\$ (5,726,328)	\$ (1,557,553)	\$ (82,536)	\$ 95,284	\$ (5,808,864)	\$ (1,462,269)

Property taxes and State formula aid accounted for 53 percent of the District's revenue. Another 38.7 percent came from State and Federal aid for specific programs, and the remainder from fees charged for services and miscellaneous sources.

The District's expenses 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 \$5,808,864 from last year.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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 \$83,770,868.

- Some of the cost (\$1,101,564) was financed by the users of the District's programs.
- The Federal and State governments subsidized certain programs with grants and contributions (\$17,863,277).
- Most of the District's costs (\$53,927,823), however, were financed by District taxpayers and the taxpayers of our State.
- 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	
	2010	2009	2010	2009
Instruction-related activities	\$ 62,055,022	\$ 64,535,853	\$ 48,421,186	\$ 50,259,487
Student support services	6,880,542	6,953,646	2,390,486	2,457,943
Administration	4,320,565	4,146,275	3,756,461	3,462,414
Plant services	7,478,123	7,395,512	7,319,116	6,892,405
Other	3,036,616	3,276,999	2,891,545	3,057,710
Total	\$ 83,770,868	\$ 86,308,285	\$ 64,778,794	\$ 66,129,959

Business-Type Activities

Revenues of the District's business-type activities were \$2,442,738, and expenses were \$2,525,274.

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).

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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 2009-2010, the General Fund had revenues of \$73,412,502, and expenses of \$76,317,170. After factoring in transfers and other uses, the General Fund balance decreased \$1,957,978 or 2.6 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 \$23,361,536.

Proprietary Funds

The Child Care Fund had a decrease in net assets of \$82,536 to equal a balance of \$1,511,975 during the 2009-2010 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 \$340,425, consisting of \$291,717 in bank deposits and \$48,708 in stores inventories, with liabilities of \$340,425 due to student groups.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Table 4

	Balances and Activity			
	June 30, 2009	Revenues	Expenditures	June 30, 2010
General Fund	\$ 12,752,929	\$ 74,359,192	\$ 76,317,170	\$ 10,794,951
Special Reserve Capital Outlay Fund	6,557,924	1,034,910	2,553,558	5,039,276
Cafeteria Fund	787,963	2,729,033	2,557,800	959,196
Deferred Maintenance Fund	2,447,140	29,194	210,956	2,265,378
Special Reserve Non-Capital Fund	64,153	446	-	64,599
Capital Facilities Fund	1,727,541	437,304	135,584	2,029,261
County School Facilities Fund	2,179,698	27,233	2,273	2,204,658
Debt Service Fund	457,139	7,976,818	8,429,740	4,217
Total	\$ 26,974,487	\$ 86,594,130	\$ 90,207,081	\$ 23,361,536

General Fund Budgetary Highlights

Over the course of the year, the Board approves three versions of the operating budget. These budget revisions are: Adopted Budget, First Interim and Second Interim, with the Unaudited Actuals brought forward after the year-end closing is completed. Budget adjustments are brought to the Board on a regular basis to reflect changes to both revenues and expenditures that become known during the year.

As in the prior year, between the time the District's budget was adopted in June 2009 and when it closed its books in June 2010, there were significant changes due to actions in both the State and Federal governments. As revenue at the State level decreased, California responded by again increasing the deficit to district revenue limits. At the Federal level, the American Recovery and Reinvestment Act (ARRA) continued and Ocean View School District received \$2.8 million of ARRA funds in 2009-2010, including State Fiscal Stabilization, Title I, IDEA and McKinney-Vento funds. These one-time funds would help to mitigate the impact of further budget cuts in 2009-2010, 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 2009-2010, the District leased new copy machines for the school sites and District offices in the amount of \$236,033. Several servers and related technology equipment were purchased in the amount of \$125,906. A bobcat and two new trucks were purchased for a total of \$97,883. Two portable classrooms were also purchased for \$53,044. The District also began an Energy Management Program, purchasing equipment at \$58,787.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Long-Term Obligations

At year-end, the District had \$11,505,783 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 this fiscal year.

Table 5

	Governmental Activities		Business-Type Activities		School District Activities	
	2010	2009	2010	2009	2010	2009
Certificates of participation	\$ 6,875,000	\$ 7,755,000	\$ -	\$ -	\$ 6,875,000	\$ 7,755,000
Premium on certificates of participation	298,874	-	-	-	298,874	-
Capitalized lease obligations	151,025	23,972	178,000	244,000	329,025	267,972
Compensated absences	639,085	577,948	-	-	639,085	577,948
Other postemployment benefits	3,363,799	1,783,050	-	-	3,363,799	1,783,050
Total	\$ 11,327,783	\$ 10,139,970	\$ 178,000	\$ 244,000	\$ 11,505,783	\$ 10,383,970

- The District issued 2010 Refunding Certificates of Participation in the amounts of \$6,875,000 whose proceeds were used to refund the 2002 COP. See detail on page 42.
- The liability for compensated absences increased by \$61,137.
- The liability for other postemployment benefits increased by \$1,580,749.
- The District issued debt in terms of the leases on new copy machines and continued to pay down the capital leases on the portable classrooms.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Ocean View School District's enrollment has continued to see a modest increase in 2009-2010 for the second year in a row. As fluctuation in enrollment impacts the District's revenue, this is a good trend, especially as the State and Federal economies continue to struggle.

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 2010-2011 and will be revising its budget during the fiscal year adjustment reports (1st and 2nd Interims) to incorporate any major mid-year changes.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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:

Dr. William V. Loose, Assistant Superintendent, Administrative Services
Ocean View School District
17200 Pinehurst Lane
Huntington Beach, California 92647

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 18,191,740	\$ 706,473	\$ 18,898,213
Receivables	8,900,365	93,540	8,993,905
Internal balances	123,127	(123,127)	-
Stores inventories	131,530	-	131,530
Deferred costs on issuance	282,720	-	282,720
Total Current Assets	27,629,482	676,886	28,306,368
Capital assets			
Land and construction in process	20,300,107	-	20,300,107
Other capital assets	77,375,428	1,794,341	79,169,769
Less: Accumulated depreciation	(44,149,716)	(419,304)	(44,569,020)
Total Capital Assets	53,525,819	1,375,037	54,900,856
Total Assets	81,155,301	2,051,923	83,207,224
LIABILITIES			
Accounts payable	3,763,968	255,263	4,019,231
Accrued interest	81,617	-	81,617
Deferred revenue	221,258	106,685	327,943
Long-term obligations			
Current portion of long-term obligations	255,954	66,000	321,954
Noncurrent portion of long-term obligations	11,071,829	112,000	11,183,829
Total Liabilities	15,394,626	539,948	15,934,574
NET ASSETS			
Invested in capital assets, net of related debt	46,200,920	1,197,037	47,397,957
Restricted for:			
Debt service	(77,400)	-	(77,400)
Capital projects	4,233,919	-	4,233,919
Educational programs	1,364,773	-	1,364,773
Other activities	3,224,574	-	3,224,574
Unrestricted	10,813,889	314,938	11,128,827
Total Net Assets	\$ 65,760,675	\$ 1,511,975	\$ 67,272,650

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

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 54,181,231	\$ -	\$ 11,760,791	\$ 27,233
Instruction-related activities:				
Supervision of instruction	2,247,966	-	1,514,726	-
Instructional library, media, and technology	780,299	-	22,514	-
School site administration	4,845,526	-	308,572	-
Pupil services:				
Home-to-school transportation	2,016,432	9,330	803,842	-
Food services	2,472,198	1,044,423	1,542,842	-
All other pupil services	2,391,912	-	1,089,619	-
General administration:				
Data processing	475,276	-	-	-
All other general administration	3,845,289	47,811	516,293	-
Plant services	7,478,123	-	159,007	-
Ancillary services	50,129	-	-	-
Community services	88,536	-	56,663	-
Interest on long-term obligations	357,187	-	-	-
Other outgo	149,926	-	88,408	-
Depreciation (unallocated) ¹	2,390,838	-	-	-
Total Governmental Activities	83,770,868	1,101,564	17,863,277	27,233
Business-Type Activities:				
Child care services	2,525,274	1,716,373	1,065,667	-
Total Business-Type Activities	2,525,274	1,716,373	1,065,667	-
Total School District	\$ 86,296,142	\$ 2,817,937	\$ 18,928,944	\$ 27,233

General revenues and subventions:
 Property taxes, levied for general purposes
 Property taxes, levied for other specific purpose
 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

¹This 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
\$ (42,393,207)	\$ -	\$ (42,393,207)
(733,240)	-	(733,240)
(757,785)	-	(757,785)
(4,536,954)	-	(4,536,954)
(1,203,260)	-	(1,203,260)
115,067	-	115,067
(1,302,293)	-	(1,302,293)
(475,276)	-	(475,276)
(3,281,185)	-	(3,281,185)
(7,319,116)	-	(7,319,116)
(50,129)	-	(50,129)
(31,873)	-	(31,873)
(357,187)	-	(357,187)
(61,518)	-	(61,518)
(2,390,838)	-	(2,390,838)
<u>(64,778,794)</u>	<u>-</u>	<u>(64,778,794)</u>
-	256,766	256,766
-	256,766	256,766
<u>(64,778,794)</u>	<u>256,766</u>	<u>(64,522,028)</u>
25,709,088	-	25,709,088
285,031	-	285,031
15,602,907	-	15,602,907
12,330,797	-	12,330,797
-	10,698	10,698
4,774,643	-	4,774,643
<u>58,702,466</u>	<u>10,698</u>	<u>58,713,164</u>
(6,076,328)	267,464	(5,808,864)
350,000	(350,000)	-
<u>59,052,466</u>	<u>(339,302)</u>	<u>58,713,164</u>
(5,726,328)	(82,536)	(5,808,864)
71,487,003	1,594,511	73,081,514
<u>\$ 65,760,675</u>	<u>\$ 1,511,975</u>	<u>\$ 67,272,650</u>

OCEAN VIEW SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 5,411,843	\$ 5,097,716	\$ 7,682,181	\$ 18,191,740
Receivables	8,752,459	3,869	144,037	8,900,365
Due from other funds	239,662	-	-	239,662
Stores inventories	117,897	-	13,633	131,530
Total Assets	<u>\$ 14,521,861</u>	<u>\$ 5,101,585</u>	<u>\$ 7,839,851</u>	<u>\$ 27,463,297</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,531,246	\$ 62,309	\$ 170,413	\$ 3,763,968
Due to other funds	4,820	-	111,715	116,535
Deferred revenue	190,844	-	30,414	221,258
Total Liabilities	<u>3,726,910</u>	<u>62,309</u>	<u>312,542</u>	<u>4,101,761</u>
FUND BALANCES				
Reserved for:				
Revolving cash	51,000	-	1,000	52,000
Stores inventories	117,897	-	13,633	131,530
Legally restricted balance	1,364,773	-	-	1,364,773
Unreserved:				
Designated	9,261,281	5,039,276	7,508,459	21,809,016
Undesignated, reported in:				
Debt service funds	-	-	4,217	4,217
Total Fund Balance	<u>10,794,951</u>	<u>5,039,276</u>	<u>7,527,309</u>	<u>23,361,536</u>
Total Liabilities and Fund Balances	<u>\$ 14,521,861</u>	<u>\$ 5,101,585</u>	<u>\$ 7,839,851</u>	<u>\$ 27,463,297</u>

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, 2010**

Total Fund Balance - Governmental Funds		\$ 23,361,536
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:	\$ 97,675,535	
Accumulated depreciation is:	<u>(44,149,716)</u>	
Net Capital Assets		53,525,819
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.		282,720
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.		(81,617)
Long-term obligations at year-end consist of:		
Certificates of participation	(6,875,000)	
Premium on certificates of participation	(298,874)	
Compensated absences	(639,085)	
Capital lease obligations	(151,025)	
Other postemployment benefits (OPEB)	<u>(3,363,799)</u>	
Total Long-Term Obligations		<u>(11,327,783)</u>
Total Net Assets - Governmental Activities		<u>\$ 65,760,675</u>

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

OCEAN VIEW SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 44,373,483	\$ -	\$ -	\$ 44,373,483
Federal sources	7,364,742	-	1,490,357	8,855,099
Other State sources	12,330,797	-	132,450	12,463,247
Other local sources	9,343,480	1,034,910	1,624,321	12,002,711
Total Revenues	73,412,502	1,034,910	3,247,128	77,694,540
EXPENDITURES				
Current				
Instruction	53,194,036	-	-	53,194,036
Instruction-related activities:				
Supervision of instruction	2,216,079	-	-	2,216,079
Instructional library, media, and technology	758,937	-	-	758,937
School site administration	4,909,828	-	-	4,909,828
Pupil services:				
Home-to-school transportation	1,970,394	-	-	1,970,394
Food services	-	-	2,450,040	2,450,040
All other pupil services	2,342,327	-	-	2,342,327
General administration:				
Data processing	553,633	-	-	553,633
All other general administration	3,702,247	-	115,656	3,817,903
Plant services	6,352,841	1,037,951	152,911	7,543,703
Facility acquisition and construction	-	323,120	188,006	511,126
Ancillary services	49,306	-	-	49,306
Community services	57,244	-	-	57,244
Other outgo	149,926	-	-	149,926
Debt service				
Principal	47,637	-	455,000	502,637
Interest and other	12,735	-	383,942	396,677
Total Expenditures	76,317,170	1,361,071	3,745,555	81,423,796
Deficiency of Revenues Over				
Expenditures	(2,904,668)	(326,161)	(498,427)	(3,729,256)
Other Financing Sources (Uses)				
Transfers in	772,000	-	770,487	1,542,487
Other sources	174,690	-	7,182,413	7,357,103
Transfers out	-	(1,192,487)	-	(1,192,487)
Other uses	-	-	(7,590,798)	(7,590,798)
Net Financing Sources (Uses)	946,690	(1,192,487)	362,102	116,305
NET CHANGE IN FUND BALANCES	(1,957,978)	(1,518,648)	(136,325)	(3,612,951)
Fund Balance - Beginning	12,752,929	6,557,924	7,663,634	26,974,487
Fund Balance - Ending	\$ 10,794,951	\$ 5,039,276	\$ 7,527,309	\$ 23,361,536

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, 2010

Total Net Change in Fund Balances - Governmental Funds **\$ (3,612,951)**
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.

Capital outlays	\$ 1,143,525	
Depreciation expense	(2,390,838)	
	<u> </u>	
Net Expense Adjustment		(1,247,313)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Assets. (174,690)

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. (1,580,749)

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 \$61,137. (61,137)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:
 Refunding certificates of participation (6,875,000)

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

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2010

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:

Premium on issuance	\$ (307,413)	
Deferred costs on issuance	290,798	
Combined adjustment	<u> </u>	\$ (16,615)

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	7,755,000
Capital lease obligations	47,637

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	8,539	
Amortization of deferred amount on refunding	(8,078)	
Combined adjustment	<u> </u>	461

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. The additional interest reported in the Statement of Activities is the net result of two factors. Accrued interest on the certificates of participation decreased by \$39,029.

Change in Net Assets of Governmental Activities	39,029
	<u><u>\$ (5,726,328)</u></u>

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, 2010

	Business-Type Activities
	Child Care
ASSETS	
Current Assets	
Deposits and investments	\$ 706,473
Receivables	93,540
Due from other funds	4,820
Total Current Assets	804,833
Noncurrent Assets	
Capital assets	1,794,341
Less: accumulated depreciation	(419,304)
Total Noncurrent Assets	1,375,037
Total Assets	2,179,870
LIABILITIES	
Current Liabilities	
Accounts payable	255,263
Due to other funds	127,947
Deferred revenue	106,685
Current portion of long-term obligations	66,000
Total Current Liabilities	555,895
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	112,000
NET ASSETS	
Invested in capital assets, net of related debt	1,197,037
Unrestricted	314,938
Total Net Assets	\$ 1,511,975

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, 2010**

	Business-Type Activities
	Child Care
OPERATING REVENUES	
Charges for services	\$ 1,716,373
OPERATING EXPENSES	
Payroll costs	2,155,196
Professional and contract services	87,725
Supplies and materials	85,048
Facility rental	4,491
Other operating costs	118,671
Depreciation	74,143
Total Operating Expenses	2,525,274
Operating Loss	(808,901)
NONOPERATING REVENUES	
Interest income	10,698
Federal grants	1,085
Other grants	1,064,582
Total Nonoperating Revenues	1,076,365
Income Before Transfers	267,464
Transfers out	(350,000)
Change in Net Assets	(82,536)
Total Net Assets - Beginning	1,594,511
Total Net Assets - Ending	\$ 1,511,975

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, 2010**

	Business-Type Activities
	Child Care
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,707,549
Cash payments to suppliers for goods or services	(173,582)
Cash payments to employees for services	(2,200,712)
Other operating cash payments	(473,162)
Net Cash Used by Operating Activities	<u>(1,139,907)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	<u>1,096,095</u>
Net Cash Provided by Non-Capital Financing Activities	<u>1,096,095</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(66,000)
Acquisition of capital assets	(8,132)
Net Cash Used by Capital and Related Financing Activities	<u>(74,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>10,698</u>
Net Cash Provided by Investing Activities	<u>10,698</u>
Net Decrease in Cash and Cash Equivalents	(107,246)
Cash and Cash Equivalents - Beginning	813,719
Cash and Cash Equivalents - Ending	<u>\$ 706,473</u>

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

OCEAN VIEW SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF OPERATING LOSS TO NET
CASH USED BY OPERATING ACTIVITIES:**

Operating loss	\$	(808,901)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Transfers to/from other funds		(350,000)
Depreciation		74,143
Changes in assets and liabilities:		
Accounts receivable		23
Due from other funds		555
Accounts payable		(17,135)
Due to other funds		(29,745)
Deferred revenue		(8,847)
NET CASH USED BY OPERATING ACTIVITIES	\$	(1,139,907)

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

OCEAN VIEW SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Agency Funds
	Student Funds
ASSETS	
Deposits and investments	\$ 291,717
Stores inventories	48,708
Total Assets	\$ 340,425
LIABILITIES	
Due to student groups	\$ 340,425
Total Liabilities	\$ 340,425

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

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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 from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities.

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).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-2010 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Special Reserve Non-Capital Fund The Special Reserve Non-Capital Fund is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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).

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 established to account for the accumulation of resources for and the payment of 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 exclude 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 balance 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010, 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes as determined by the governing board.

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 reports \$8,745,866 of restricted net assets.

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

New Accounting Pronouncements

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 requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 18,191,740
Business-type activities	706,473
Fiduciary funds	291,717
Total Deposits and Investments	<u>\$ 19,189,930</u>

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$ 340,924
Cash in revolving	52,000
Investments	18,797,006
Total Deposits and Investments	<u>\$ 19,189,930</u>

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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	Fair Value	Maturity Date/ Average Maturity in Days
First American Treasury Obligations Money Market Mutual Funds	\$ 4,217	38 days
County Pool	18,788,887	304 days
Total	<u>\$ 18,793,104</u>	

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Not Required To Be Rated	Fair Value	Moody's Rating as of Year-End Aaa
First American Treasury Obligations Money Market Mutual Funds	X	\$ 4,217	\$ 4,217
County Pool	X	18,788,887	18,788,887
Total		<u>\$ 18,793,104</u>	<u>\$ 18,793,104</u>

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) up to \$250,000. As of June 30, 2010, the District's bank balances were within the Federally insured limits.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, 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	\$ 2,713,480	\$ -	\$ 124,424	\$ 2,837,904	\$ -
State Government					
Apportionment	2,879,766	-	-	2,879,766	-
Categorical aid	2,124,159	-	9,250	2,133,409	77,898
Lottery	288,202	-	-	288,202	-
Local Government					
Interest	20,215	3,869	5,676	29,760	681
Other Local Sources	726,637	-	4,687	731,324	14,961
Total	<u>\$ 8,752,459</u>	<u>\$ 3,869</u>	<u>\$ 144,037</u>	<u>\$ 8,900,365</u>	<u>\$ 93,540</u>

All receivables are expected to be collected within one year.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 10,554,104	\$ -	\$ -	\$ 10,554,104
Construction in process	9,797,094	325,432	376,523	9,746,003
Total Capital Assets Not Being Depreciated	20,351,198	325,432	376,523	20,300,107
Capital Assets Being Depreciated				
Land improvements	7,173,759	-	-	7,173,759
Buildings and improvements	57,251,135	495,794	-	57,746,929
Furniture and equipment	12,257,792	698,822	501,874	12,454,740
Total Capital Assets Being Depreciated	76,682,686	1,194,616	501,874	77,375,428
Less Accumulated Depreciation				
Land improvements	5,976,181	72,378	-	6,048,559
Buildings and improvements	26,575,537	1,673,798	-	28,249,335
Furniture and equipment	9,709,034	644,662	501,874	9,851,822
Total Accumulated Depreciation	42,260,752	2,390,838	501,874	44,149,716
Governmental Activities Capital Assets, Net	<u>\$ 54,773,132</u>	<u>\$ (870,790)</u>	<u>\$ 376,523</u>	<u>\$ 53,525,819</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 1,764,580	\$ -	\$ -	\$ 1,764,580
Furniture and equipment	21,629	8,132	-	29,761
Total Capital Assets Being Depreciated	1,786,209	8,132	-	1,794,341
Less Accumulated Depreciation				
Buildings and improvements	336,481	70,360	-	406,841
Furniture and equipment	8,680	3,783	-	12,463
Total Accumulated Depreciation	345,161	74,143	-	419,304
Business-Type Activities Capital Assets, Net	<u>\$ 1,441,048</u>	<u>\$ (66,011)</u>	<u>\$ -</u>	<u>\$ 1,375,037</u>

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

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, between major and non-major governmental funds, and non-major enterprise funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Child Care Enterprise Fund	
General Fund	\$ -	\$ 111,715	\$ 127,947	\$ 239,662
Child Care Enterprise Fund	4,820	-	-	4,820
Total	\$ 4,820	\$ 111,715	\$ 127,947	\$ 244,482

The balance of \$111,715 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 \$127,947 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, 2010, consisted of the following:

Transfer To	Transfer From		Total
	Special Reserve Capital Outlay Fund	Child Care Enterprise Fund	
General Fund	\$ 422,000	\$ 350,000	\$ 772,000
Non-Major Governmental Funds	770,487	-	770,487
Total	\$ 1,192,487	\$ 350,000	\$ 1,542,487

The Major Special Reserve Capital Outlay Fund transferred to the General Fund for deferred maintenance.	\$ 422,000
The Major Special Reserve Capital Outlay Fund transferred to the COP Debt Service Fund for the debt service payments.	770,487
The Child Care Enterprise Fund transferred surplus parent fees to the General Fund as a contribution.	350,000
Total	<u>\$ 1,542,487</u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, 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	\$ 2,852,343	\$ -	\$ 128,099	\$ 2,980,442	\$ 201,561
Materials and supplies	46,143	78	27,308	73,529	279
Services and other operating	245,048	12,189	307	257,544	1,346
Construction	5,515	-	13,557	19,072	-
Other vendor payables	382,197	50,042	1,142	433,381	52,077
Total	<u>\$ 3,531,246</u>	<u>\$ 62,309</u>	<u>\$ 170,413</u>	<u>\$ 3,763,968</u>	<u>\$ 255,263</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2010, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Federal financial assistance	\$ 166,865	\$ -	\$ 166,865	\$ -
State categorical aid	9,020	-	9,020	-
Other local	14,959	30,414	45,373	106,685
Total	<u>\$ 190,844</u>	<u>\$ 30,414</u>	<u>\$ 221,258</u>	<u>\$ 106,685</u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
Certificates of participation	\$ 7,755,000	\$ 6,875,000	\$ 7,755,000	\$ 6,875,000	\$ 225,000
Premium on certificates of participation	-	307,413	8,539	298,874	-
Compensated absences	577,948	61,137	-	639,085	-
Capital leases	23,972	174,690	47,637	151,025	30,954
Other postemployment benefits	1,783,050	1,580,749	-	3,363,799	-
	<u>\$ 10,139,970</u>	<u>\$ 8,998,989</u>	<u>\$ 7,811,176</u>	<u>\$ 11,327,783</u>	<u>\$ 255,954</u>

Business-Type Activities

Capital leases	<u>\$ 244,000</u>	<u>\$ -</u>	<u>\$ 66,000</u>	<u>\$ 178,000</u>	<u>\$ 66,000</u>
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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, 2010, the 2002 Certificates of Participation were paid in full and the outstanding balance on the 2010 Refunding Certificates of Participation was \$6,875,000. As of June 30, 2010, the unamortized premium received on issuance and deferred costs of issuance amounted to \$298,874 and \$282,720, respectively.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 225,000	\$ 256,794	\$ 481,794
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
2016-2020	3,310,000	675,162	3,985,162
2021-2022	1,100,000	61,624	1,161,624
Total	<u>\$ 6,875,000</u>	<u>\$ 1,935,382</u>	<u>\$ 8,810,382</u>

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2010, amounted to \$639,085.

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	\$ 24,605
Additions	203,333
Payments	(58,494)
Balance, End of Year	<u>\$ 169,444</u>

Business-Type Activities

	Modulars
Balance, Beginning of Year	\$ 244,000
Payments	(66,000)
Balance, End of Year	<u>\$ 178,000</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

The capital leases have minimum lease payments as follows:

Governmental Activities

Year Ending June 30,	Lease Payment
2011	\$ 40,667
2012	40,667
2013	40,667
2014	40,667
2015	6,776
Total	<u>169,444</u>
Less: Amount Representing Interest	18,419
Present Value of Minimum Lease Payments	<u>\$ 151,025</u>

Business-Type Activities

Year Ending June 30,	Lease Payment
2011	\$ 66,000
2012	14,000
2013	14,000
2014	14,000
2015	14,000
2016-2018	56,000
Total	<u>\$ 178,000</u>

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution (ARC) was \$2,696,602 for the year ended June 30, 2010. The District made a contribution of \$1,094,539. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$89,153 and \$110,467, respectively, which resulted in a net OPEB obligation of \$3,363,799. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Reserved				
Revolving cash	\$ 51,000	\$ -	\$ 1,000	\$ 52,000
Stores inventories	117,897	-	13,633	131,530
Restricted programs	1,364,773	-	-	1,364,773
Total Reserved	<u>1,533,670</u>	<u>-</u>	<u>14,633</u>	<u>1,548,303</u>
Unreserved				
Designated				
Economic uncertainties	2,239,510	-	-	2,239,510
Site carryover	997,740	-	-	997,740
Health benefits pool	213,098	-	-	213,098
Tier III programs	851,376	-	-	851,376
Emergency reserve	4,959,557	-	-	4,959,557
Other designations	-	5,039,276	7,508,459	12,547,735
Total Designated	<u>9,261,281</u>	<u>5,039,276</u>	<u>7,508,459</u>	<u>21,809,016</u>
Undesignated, reported in:				
Debt service funds	-	-	4,217	4,217
Total Unreserved	<u>9,261,281</u>	<u>5,039,276</u>	<u>7,512,676</u>	<u>21,813,233</u>
Total	<u>\$ 10,794,951</u>	<u>\$ 5,039,276</u>	<u>\$ 7,527,309</u>	<u>\$ 23,361,536</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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
2011	\$ 1,776,300
2012	1,236,865
2013	1,040,971
2014	1,063,359
2015	978,738
2016-2020	5,117,311
2021-2025	4,793,638
2026-2030	2,600,000
2031-2035	2,790,625
2036-2038	2,975,000
Thereafter	19,241,875
Total	<u>\$ 43,614,682</u>

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit 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 227 retirees and beneficiaries currently receiving benefits, 29 terminated Plan members entitled to but not yet receiving benefits, and 620 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 2009-2010, the District contributed \$1,094,530 to the Plan, all of which was used for current premiums (approximately 70 percent of total premiums). Plan members receiving benefits contributed \$468,950, or approximately 30 percent of the total premiums.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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	89,153
Adjustment to annual required contribution	<u>(110,467)</u>
Annual OPEB cost (expense)	2,675,288
Contributions made	<u>(1,094,539)</u>
Increase in net OPEB obligation	1,580,749
Net OPEB obligation, beginning of year	<u>1,783,050</u>
Net OPEB obligation, end of year	<u><u>\$ 3,363,799</u></u>

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

Funded Status and Funding Progress

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

Schedule of Funding Progress						
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%	\$43,981,500	51%

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010, was 29 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

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan. Specifically for the District's Dental program, the District participates in ASCIP.

The District participates in the Orange County public entity risk pools (JPA's) for the workers' compensation program, and property and liability program. Refer to Note 15 for additional information regarding the JPA's.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 2009-2010 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, 2010, 2009, and 2008, were \$3,211,263, \$3,298,620, and \$3,280,630, 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 2009-2010 was 9.709 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, 2010, 2009, and 2008 were \$1,450,571, \$1,434,914, and \$1,444,132, 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 \$1,660,668 (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 budget 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, 2010.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2010.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 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 dental 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, 2010, the District made payments of \$465,548, \$866,299 and \$853,804 to Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency, 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), 25 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.

REQUIRED SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 47,069,966	\$ 44,364,045	\$ 44,373,483	\$ 9,438
Federal sources	9,514,624	7,432,848	7,364,742	(68,106)
Other State sources	10,449,492	10,549,931	12,330,797	1,780,866
Other local sources	8,015,375	9,430,345	9,343,480	(86,865)
Total Revenues ¹	<u>75,049,457</u>	<u>71,777,169</u>	<u>73,412,502</u>	<u>1,635,333</u>
EXPENDITURES				
Current				
Certificated salaries	38,735,275	39,086,907	38,907,724	179,183
Classified salaries	14,815,574	14,355,008	14,193,711	161,297
Employee benefits	13,219,887	12,753,251	14,308,026	(1,554,775)
Books and supplies	3,161,389	3,694,268	3,040,535	653,733
Services and operating expenditures	5,310,563	5,916,172	5,080,498	835,674
Capital outlay	333,307	274,545	576,378	(301,833)
Other outgo	140,900	518,206	210,298	307,908
Total Expenditures ¹	<u>75,716,895</u>	<u>76,598,357</u>	<u>76,317,170</u>	<u>281,187</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(667,438)</u>	<u>(4,821,188)</u>	<u>(2,904,668)</u>	<u>1,916,520</u>
Other Financing Sources				
Transfers in	-	772,000	772,000	-
Other sources	422,000	156,893	174,690	17,797
Transfers out	(100,000)	-	-	-
Net Financing Sources	<u>322,000</u>	<u>928,893</u>	<u>946,690</u>	<u>17,797</u>
NET CHANGE IN FUND BALANCES	<u>(345,438)</u>	<u>(3,892,295)</u>	<u>(1,957,978)</u>	<u>1,934,317</u>
Fund Balance - Beginning	<u>12,752,929</u>	<u>12,752,929</u>	<u>12,752,929</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 12,407,491</u>	<u>\$ 8,860,634</u>	<u>\$ 10,794,951</u>	<u>\$ 1,934,317</u>

¹ On behalf payments of \$1,660,668 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress						
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%	\$43,981,500	51%

SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Indian Education	84.060A	[1]	\$ 119,613
Passed through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A - Grants to Local Educational Agencies Cluster			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	1,073,620
ARRA Title I, Part A - Basic Grants Low-Income and Neglected	84.389	15005	<u>463,775</u>
Subtotal Title I, Part A - Grants to Local Educational Agencies Cluster			<u>1,537,395</u>
Title I, Part B - Even Start Family Literacy Program	84.213	14331	120,750
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	385,282
Title II, Part D - Grants to Local Educational Agencies			
Title II, Part D - Enhancing Education Through Technology, Formula Grants	84.318	14334	2,561
Title II, Part D - Enhancing Education Through Technology, Competitive Grants	84.318	14368	<u>166,408</u>
Subtotal Title II, Part D - Grants to Local Educational Agencies			<u>168,969</u>
Title III - Grants to Local Educational Agencies			
Title III - Limited English Proficient Student Program	84.365	10084	217,148
Title III - Immigrant Education Program	84.365	14346	<u>12,174</u>
Subtotal Title III - Grants to Local Educational Agencies			<u>229,322</u>
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	14347	22,214
Title X - McKinney-Vento Homeless Children Assistance	84.196	14332	46,011
American Reinvestment and Recovery Act			
State Fiscal Stabilization Fund	84.394	25008	3,767,377
Passed through West Orange County Consortium for Special Education			
Individuals with Disabilities Education Act (IDEA) Cluster			
Preschool Grants, Part B	84.173	13430	69,043
ARRA Preschool Grants, Part B	84.392	15000	85,736
Local Assistance Entitlement, Part B	84.027	13379	1,621,578
ARRA Local Assistance Entitlement, Part B	84.391	15003	1,447,614
Preschool Local Entitlement, Part B	84.027A	13682	167,609
ARRA Preschool Local Entitlement, Part B	84.391	15002	<u>161,671</u>
Subtotal IDEA Cluster			<u>3,553,251</u>
State Improvement Grant, Improving Special Ed Systems	84.372	14577	<u>18,866</u>
Total U.S. Department of Education			<u>9,969,050</u>

[1] Direct-funded; no PCA number

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal 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	\$ 1,258,599
Especially Needy Breakfast	10.553	13390	159,545
Commodities	10.555	[1]	26,583
Subtotal Child Nutrition Cluster			<u>1,444,727</u>
Fresh Fruit and Vegetables Program	10.582	14968	45,630
Total U.S. Department of Agriculture			<u>1,490,357</u>
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	191,277
Medi-Cal Administrative Activities	93.778	10060	98,011
Subtotal Medical Assistance Program Cluster			<u>289,288</u>
Passed through CDE:			
Quality Improvement Activities	93.575	14869	1,085
Total U.S. Department of Health and Human Services			<u>290,373</u>
Total Expenditures of Federal Awards			<u>\$ 11,749,780</u>

[1] Direct-funded; no PCA number

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2010

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Tracy Pellman	President	2010
Ms. Debbie Cotton	Clerk	2012
Mr. John Briscoe	Member	2010
Mr. George Clemens	Member	2010
Mr. Norm Westwell	Member	2012

ADMINISTRATION

Dr. Alan Rasmussen	Superintendent
Ms. Beverly Hempstead	Deputy Superintendent
Dr. William Loose	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, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	1,145	1,147
First through third	2,888	2,897
Fourth through sixth	2,867	2,872
Seventh and eighth	2,080	2,081
Special education	279	279
Total Elementary	<u>9,259</u>	<u>9,276</u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2010**

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2009-10	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	35,200	34,222	36,000	35,000	35,600	178	-	Complied
Grades 1 - 3	48,911	47,552	50,400	49,000				
Grade 1					49,810	178	-	Complied
Grade 2					49,810	178	-	Complied
Grade 3					49,810	178	-	Complied
Grades 4 - 5	57,967	56,357	54,000	52,500				
Grade 4					57,314	178	-	Complied
Grade 5					57,314	178	-	Complied
Grades 6 - 8	57,967	56,357	54,000	52,500				
Grade 6					57,311	178	-	Complied
Grade 7					57,311	178	-	Complied
Grade 8					57,311	178	-	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, 2010**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

	(Budget) 2011 ¹	2010	2009	2008
GENERAL FUND				
Revenues	\$ 66,857,399	\$ 73,412,502	\$ 79,197,025	\$ 79,489,275
Other sources and transfers in	1,243,546	946,690	422,000	686,813
Total Revenues and Other Sources	68,100,945	74,359,192	79,619,025	80,176,088
Expenditures	71,255,728	76,317,170	78,161,248	79,084,324
Other uses and transfers out	-	-	491,038	415,000
Total Expenditures and Other Uses	71,255,728	76,317,170	78,652,286	79,499,324
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,154,783)	\$ (1,957,978)	\$ 966,739	\$ 676,764
ENDING FUND BALANCE	\$ 7,640,168	\$ 10,794,951	\$ 12,752,929	\$ 11,786,190
AVAILABLE RESERVES²	\$ 2,149,675	\$ 2,239,510	\$ 2,305,530	\$ 2,332,176
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	3.02%	3.00%	3.00%	3.00%
LONG-TERM OBLIGATIONS	N/A	\$ 11,505,783	\$ 10,383,970	\$ 9,041,764
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,190	9,259	9,225	9,108

The General Fund balance has decreased by \$991,239 over the past two years. The fiscal year 2010-2011 budget projects a further decrease of \$3,154,783 (29 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 2010-2011 fiscal year. Total long-term obligations have increased by \$2,464,019 over the past two years.

Average daily attendance has increased by 151 over the past two years. A decline of 69 ADA is anticipated during fiscal year 2010-2011.

¹ Budget 2011 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of fund balance designated for economic uncertainty contained within the General Fund.

³ On behalf payments of \$1,660,668, \$1,801,392, and \$1,760,135, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2010, 2009 and 2008, respectively.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2010

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
ASSETS			
Deposits and investments	\$ 1,106,935	\$ 2,263,854	\$ 64,556
Receivables	136,948	1,716	43
Stores inventories	13,633	-	-
Total Assets	\$ 1,257,516	\$ 2,265,570	\$ 64,599
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 156,191	\$ 192	\$ -
Due to other funds	111,715	-	-
Deferred revenue	30,414	-	-
Total Liabilities	298,320	192	-
Fund Balances:			
Reserved for:			
Revolving cash	1,000	-	-
Stores inventories	13,633	-	-
Unreserved:			
Designated	944,563	2,265,378	64,599
Undesignated, reported in:			
Debt service funds	-	-	-
Total Fund Balances	959,196	2,265,378	64,599
Total Liabilities and Fund Balances	\$ 1,257,516	\$ 2,265,570	\$ 64,599

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ 2,039,445	\$ 2,203,174	\$ 4,217	\$ 7,682,181
3,659	1,671	-	144,037
-	-	-	13,633
<u>\$ 2,043,104</u>	<u>\$ 2,204,845</u>	<u>\$ 4,217</u>	<u>\$ 7,839,851</u>
\$ 13,843	\$ 187	\$ -	\$ 170,413
-	-	-	111,715
-	-	-	30,414
<u>13,843</u>	<u>187</u>	<u>-</u>	<u>312,542</u>
-	-	-	1,000
-	-	-	13,633
2,029,261	2,204,658	-	7,508,459
-	-	4,217	4,217
<u>2,029,261</u>	<u>2,204,658</u>	<u>4,217</u>	<u>7,527,309</u>
<u>\$ 2,043,104</u>	<u>\$ 2,204,845</u>	<u>\$ 4,217</u>	<u>\$ 7,839,851</u>

OCEAN VIEW SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
REVENUES			
Federal sources	\$ 1,490,357	\$ -	\$ -
Other State sources	132,450	-	-
Other local sources	1,106,226	29,194	446
Total Revenues	2,729,033	29,194	446
EXPENDITURES			
Current			
Food services	2,450,040	-	-
General administration			
All other general administration	107,760	-	-
Plant services	-	113,218	-
Facility acquisition and construction	-	97,738	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,557,800	210,956	-
Excess (Deficiency) of Revenues Over Expenditures	171,233	(181,762)	446
Other Financing Sources			
Transfers in	-	-	-
Other sources	-	-	-
Other uses	-	-	-
Net Financing Sources	-	-	-
NET CHANGE IN FUND BALANCES	171,233	(181,762)	446
Fund Balance - Beginning	787,963	2,447,140	64,153
Fund Balance - Ending	\$ 959,196	\$ 2,265,378	\$ 64,599

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,490,357
-	-	-	132,450
437,304	27,233	23,918	1,624,321
<u>437,304</u>	<u>27,233</u>	<u>23,918</u>	<u>3,247,128</u>
-	-	-	2,450,040
7,896	-	-	115,656
37,420	2,273	-	152,911
90,268	-	-	188,006
-	-	455,000	455,000
-	-	383,942	383,942
<u>135,584</u>	<u>2,273</u>	<u>838,942</u>	<u>3,745,555</u>
<u>301,720</u>	<u>24,960</u>	<u>(815,024)</u>	<u>(498,427)</u>
-	-	770,487	770,487
-	-	7,182,413	7,182,413
-	-	(7,590,798)	(7,590,798)
-	-	362,102	362,102
<u>301,720</u>	<u>24,960</u>	<u>(452,922)</u>	<u>(136,325)</u>
<u>1,727,541</u>	<u>2,179,698</u>	<u>457,139</u>	<u>7,663,634</u>
<u>\$ 2,029,261</u>	<u>\$ 2,204,658</u>	<u>\$ 4,217</u>	<u>\$ 7,527,309</u>

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, 2010**

(Amounts in thousands, excluding Revenue Limit Per ADA)	Actual Results for the Years					
	2009-2010		2008-2009		2007-2008	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 7,365	10.0	\$ 7,740	9.8	\$ 4,180	5.3
State and local revenue included in revenue limit	44,373	60.5	50,343	63.6	51,360	64.6
Other State revenue	12,331	16.8	12,631	15.9	15,387	19.3
Other local revenue	3,302	4.5	3,186	4.0	2,869	3.6
Tuition and transfers in	6,041	8.2	5,297	6.7	5,693	7.2
Total Revenues	<u>73,412</u>	<u>100.0</u>	<u>79,197</u>	<u>100.0</u>	<u>79,489</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	38,908	53.0	40,372	51.0	40,262	50.7
Classified salaries	14,194	19.3	14,506	18.3	14,735	18.5
Employee benefits	14,308	19.5	15,075	19.0	14,731	18.5
Total Salaries and Benefits	67,410	91.8	69,953	88.3	69,728	87.7
Books and supplies	3,041	4.1	2,976	3.8	2,989	3.8
Services and operating expenses	5,080	6.9	5,138	6.5	5,930	7.5
Capital outlay	576	0.8	131	0.2	543	0.7
Other outgo	150	0.2	(61)	(0.1)	(131)	(0.2)
Debt service	60	0.1	24	-	25	-
Total Expenditures	<u>76,317</u>	<u>103.9</u>	<u>78,161</u>	<u>98.7</u>	<u>79,084</u>	<u>99.5</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,905)	(3.9)	1,036	1.3	405	0.5
OTHER FINANCING SOURCES (USES)	947	1.3	(69)	(0.1)	272	0.3
INCREASE (DECREASE) IN FUND BALANCE	(1,958)	(2.6)	967	1.2	677	0.8
FUND BALANCE, BEGINNING	12,753	17.4	11,786	14.9	11,109	14.0
FUND BALANCE, ENDING	<u>\$10,795</u>	<u>14.8</u>	<u>\$12,753</u>	<u>16.1</u>	<u>\$11,786</u>	<u>14.8</u>
BASE REVENUE LIMIT PER ADA	<u>\$ 6,088</u>		<u>\$ 5,838</u>		<u>\$ 5,523</u>	

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

(Amounts in thousands)

	Actual Results for the Years					
	2009-2010		2008-2009		2007-2008	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal meal program	\$ 1,490	54.6	\$ 1,446	52.4	\$ 1,255	49.1
State meal program	132	4.8	98	3.5	101	3.9
Food sales	1,092	40.0	1,204	43.6	1,172	45.9
Other	15	0.6	14	0.5	27	1.1
Total Revenues	<u>2,729</u>	<u>100.0</u>	<u>2,762</u>	<u>100.0</u>	<u>2,555</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	946	34.6	952	34.5	909	35.6
Food	1,336	49.0	1,369	49.6	1,408	55.1
Supplies	101	3.7	81	2.9	102	4.0
Other	175	6.4	179	6.5	189	7.4
Total Expenditures	<u>2,558</u>	<u>93.7</u>	<u>2,581</u>	<u>93.5</u>	<u>2,608</u>	<u>102.1</u>
INCREASE (DECREASE) IN FUND BALANCE	171	6.3	181	6.5	(53)	(2.1)
FUND BALANCE, BEGINNING	788	28.9	607	22.0	660	25.8
FUND BALANCE, ENDING	<u>\$ 959</u>	<u>35.2</u>	<u>\$ 788</u>	<u>28.5</u>	<u>\$ 607</u>	<u>23.7</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2009-2010		2008-2009		2007-2008	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	212,807	31.7	226,150	31.8	265,315	36.9
Reduced price	73,673	11.0	72,079	10.1	69,401	9.7
Free	385,392	57.3	414,018	58.1	383,390	53.4
Total Lunches	<u>671,872</u>	<u>100.0</u>	<u>712,247</u>	<u>100.0</u>	<u>718,106</u>	<u>100.0</u>
BREAKFAST						
Paid	5,723	5.8	5,868	5.7	5,716	7.4
Reduced price	11,953	12.1	14,016	13.6	9,575	12.3
Free	80,945	82.1	83,291	80.7	62,395	80.3
Total Breakfast	<u>98,621</u>	<u>100.0</u>	<u>103,175</u>	<u>100.0</u>	<u>77,686</u>	<u>100.0</u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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 Balance, and in Proprietary funds and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of ARRA – State Fiscal Stabilization Funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2010. These unspent balances are reported as legally restricted ending balances within the General Fund.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance and Business-Type Activities:		\$ 8,856,184
ARRA - State Fiscal Stabilization Funds	84.394	3,081,620
Medi-Cal Billing Option	93.778	(188,024)
Total Schedule of Expenditures of Federal Awards		<u>\$ 11,749,780</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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. Senate Bill 2 of the 2009-2010 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-2010 through 2012-2013.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

General Fund Selected Financial Information

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

Cafeteria Fund Selected Financial Information

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Ocean View School District
Huntington Beach, California

We have audited 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, 2010, which collectively comprise Ocean View School District's basic financial statements and have issued our report thereon dated November 24, 2010. 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

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.

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 November 24, 2010.

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, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California
November 24, 2010



**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 the compliance of Ocean View School District 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 its major Federal programs for the year ended June 30, 2010. 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, 2010.

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 in order to determine our 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 would not necessarily 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, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Varvink, Jim, Day & Co., LLP

Rancho Cucamonga, California
November 24, 2010



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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, 2010, and have issued our report thereon dated November 24, 2010. 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 2009-10, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Ocean View School District's management. 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:

Table with 3 columns: Item, Procedures in Audit Guide, and Procedures Performed. Rows include Attendance Accounting, Instructional Time, Instructional Materials, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, Early retirement incentive, Gann limit calculation, School Accountability Report Card, and Public hearing requirement - receipt of funds.

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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

Based on our audit, we found that for the items tested, the Ocean View School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Ocean View School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Ocean View School District's compliance with the State laws and regulations referred to 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, the California Department of Finance, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Irine, Day & Co., LLP
Rancho Cucamonga, California
November 24, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OCEAN VIEW SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010, 84.389 (ARRA)</u>	<u>Title I, Part A Grants to Local Educational Agencies Cluster (includes ARRA)</u>
<u>84.027, 84.027A, 84.173, 84.391 (ARRA), 84.392 (ARRA)</u>	<u>Special Education (IDEA) Cluster (includes ARRA)</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Fiscal Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 352,493</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

OCEAN VIEW SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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

PAYROLL- INTERNAL CONTROLS

2009-1 30000

Finding

As noted in prior year, the Payroll Department is capable of making changes to the salary schedule placement within the system and there is no mitigating control in place or independent review to ensure that changes are authorized. As a result, errors and irregularities could occur without being identified. The auditor has noted that the District is in the process of converting human resource systems to the County system and as a result, will be able to modify user access to prevent Payroll from making such changes. This implementation is still in process and should be complete for 2009-2010.

Recommendation

As noted, the District is in the process of implementing procedures to ensure that proper segregation of duties exist between Payroll and Personnel. In the mean time, a compensating control could include a review of any changes made by payroll by an independent person prior to processing of payroll warrants.

Current Status

Implemented



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, 2010, 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 November 24, 2010, on the financial statements of Ocean View School District.

ASSOCIATED STUDENT BODY

Marine View Middle School

Observations

1. The site disbursed student body funds for one prohibited expenditure. The school site purchased an automatic paper folder that is used for general administrative purposes. The item should not be purchased with student body funds because it does not appear to directly benefit the student body as a whole. Items such as this are explicitly listed as prohibited in the Fiscal Crisis Management Assistance Team (FCMAT) Manual.
2. One of the two fundraisers reviewed was not pre-approved by the student body. No approval was noted within the student body minutes.

Recommendations

1. Funds raised through an ASB are intended for the benefit of the students as a whole and their activities. Office supplies for general administrative functions should be paid for using District funds.
2. Each fundraiser held through an ASB should be pre-approved within the student body meeting minutes. Such a procedure helps ensure that the fundraiser is an allowable activity for the student body.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 24, 2010