



**OCEAN VIEW SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

**OCEAN VIEW SCHOOL DISTRICT
OF ORANGE COUNTY
HUNTINGTON BEACH, CALIFORNIA
JUNE 30, 2009**

GOVERNING BOARD

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

ADMINISTRATION

Dr. Alan G. Rasmussen	Superintendent
Ms. Beverly Hempstead	Deputy Superintendent
Dr. William Loose	Assistant Superintendent, Administrative Services

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, 2009, 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 2008-2009*, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, 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 54 and 55, 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*, the Combining Statements – Non-Major Governmental Funds, and the General Fund and Cafeteria Fund Selected Financial Information 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.

Rancho Cucamonga, California
December 7, 2009

Vavnick, Trice, Day & Co., LLP



Ocean View School District

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Huntington Beach
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Superintendent
Alan G. Rasmussen, Ed. D.

Board of Trustees
Norm Westwell, President
Tracy Pellman, Clerk
John Briscoe, Member
George Clemens, Member
Debbie Cotton, 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, 2009. 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, 2009

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, 2009

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

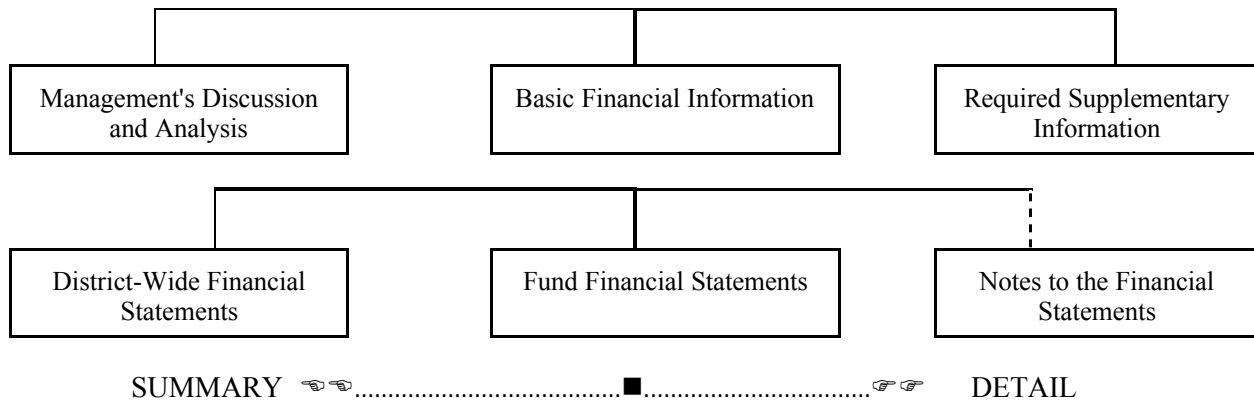
Type of Statements	District-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District 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 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, 2009

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

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



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

FINANCIAL HIGHLIGHTS

The District's financial status remains positive. The ending balance of the General Fund increased \$966,739 between July 1, 2008 and June 30, 2009. 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, 2009, with an emergency reserve of 1.0 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 2009-2010 year as a further development and refinement of the Long Range Facilities Master Plan (LRFMP) to help determine future decisions regarding District sites.

The District continued to fund other capital projects as well as debt service on the 2002 COP with lease monies collected from tenants at closed school sites (short-term lease) and contribute to the required match for State funded modernization projects 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 \$1,342,206 or 8.6 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, 2009

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's combined net assets were \$73,081,514 for the fiscal year ended June 30, 2009. Of this amount, \$11,802,401 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	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 31,768,149	\$ 32,972,617	\$ 785,392	\$ 804,330	\$ 32,553,541	\$ 33,776,947
Capital assets	54,773,132	53,631,057	1,441,048	1,397,544	56,214,180	55,028,601
Total Assets	86,541,281	86,603,674	2,226,440	2,201,874	88,767,721	88,805,548
Liabilities						
Current liabilities	4,914,308	4,813,354	387,929	406,647	5,302,237	5,220,001
Long-term obligations	10,139,970	8,745,764	244,000	296,000	10,383,970	9,041,764
Total Liabilities	15,054,278	13,559,118	631,929	702,647	15,686,207	14,261,765
Net Assets						
Invested in capital assets, net of related debt	46,994,160	45,394,091	1,197,048	1,101,544	48,191,208	46,495,635
Restricted	13,087,905	12,743,368	-	-	13,087,905	12,743,368
Unrestricted	11,404,938	14,907,097	397,463	397,683	11,802,401	15,304,780
Total Net Assets	\$ 71,487,003	\$ 73,044,556	\$ 1,594,511	\$ 1,499,227	\$ 73,081,514	\$ 74,543,783

The \$11,802,401 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 \$87,798,275 and total expenses were \$89,260,544. 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, 2009

Table 2

	Governmental Activities		Business-Type Activities		School District Activities	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 1,212,044	\$ 1,184,100	\$ 1,956,352	\$ 2,040,129	\$ 3,168,396	\$ 3,224,229
Operating grants and contributions	17,525,798	20,252,183	841,420	885,090	18,367,218	21,137,273
Capital grants and contributions	45,366	55,261	-	-	45,366	55,261
General revenues:						
Federal and State aid not restricted	21,932,793	24,046,978	-	-	21,932,793	24,046,978
Property taxes	28,288,546	27,081,394	-	-	28,288,546	27,081,394
Other State revenues	6,128,390	6,189,735	-	-	6,128,390	6,189,735
Other general revenues	9,734,357	8,220,166	133,209	23,734	9,867,566	8,243,900
Total Revenues	84,867,294	87,029,817	2,930,981	2,948,953	87,798,275	89,978,770
Expenses						
Instruction-related	64,535,853	62,661,185	2,835,697	2,874,558	67,371,550	65,535,743
Student support services	6,953,646	7,054,371	-	-	6,953,646	7,054,371
Administration	4,146,275	4,103,324	-	-	4,146,275	4,103,324
Maintenance, operations and facilities	7,395,512	8,005,438	-	-	7,395,512	8,005,438
Other	3,393,561	3,407,347	-	-	3,393,561	3,407,347
Total Expenses	86,424,847	85,231,665	2,835,697	2,874,558	89,260,544	88,106,223
Change in Net Assets	\$ (1,557,553)	\$ 1,798,152	\$ 95,284	\$ 74,395	\$ (1,462,269)	\$ 1,872,547

Property taxes and State formula aid accounted for 59 percent of the District's revenue. Another 28 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 (83.3 percent). The purely administrative activities of the District accounted for 4.6 percent of total costs. Total expenses surpassed revenues, decreasing net assets by \$1,462,269 from last year.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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 \$86,308,285.

- Some of the cost (\$1,212,044) was financed by the users of the District's programs.
- The Federal and State governments subsidized certain programs with grants and contributions (\$17,525,798).
- Most of the District's costs (\$56,349,729), 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	
	2009	2008	2009	2008
Instruction-related activities	\$ 64,535,853	\$ 62,661,185	\$ 50,259,487	\$ 46,930,778
Student support services	6,953,646	7,054,371	2,457,943	2,827,600
Administration	4,146,275	4,103,324	3,462,414	3,477,834
Plant services	7,395,512	8,005,438	6,892,405	7,291,721
Other	3,276,999	3,407,347	3,057,710	3,212,188
Total	\$ 86,308,285	\$ 85,231,665	\$ 66,129,959	\$ 63,740,121

Business-Type Activities

Revenues of the District's business-type activities were \$2,930,981 and expenses were \$2,835,697.

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, 2009

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 as well. 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 2008-2009, the General Fund had revenues of \$79,197,025 and expenses of \$78,161,248. After factoring in transfers and other uses, the General Fund balance increased \$966,739 or a little more than one 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 \$26,974,487.

Proprietary Funds

The Child Care Fund had an increase in net assets of \$95,284 to equal a balance of \$1,594,511 during the 2008-2009 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 \$369,640 consisting of \$326,886 in bank deposits and \$42,754 in stores inventories, with liabilities of \$369,640 due to student groups.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Table 4

	<u>Fund Balance June 30, 2009</u>
General Fund	\$ 12,752,929
Special Reserve Capital Outlay Fund	6,557,924
Cafeteria Fund	787,963
Deferred Maintenance Fund	2,447,140
Special Reserve Non-Capital Fund	64,153
Capital Facilities Fund	1,727,541
County School Facilities Fund	2,179,698
Debt Service Fund	457,139
Total	<u>\$ 26,974,487</u>

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.

Between the time the District's budget was adopted in June 2008 and when it closed its books in June 2009, there were significant changes due to actions in both the State and Federal governments. As revenue at the State level decreased, California responded by increasing the deficit to district revenue limits. At the Federal level, the American Recovery and Reinvestment Act (ARRA) was enacted and Ocean View School District received \$3.1 million of State Fiscal Stabilization Funds at the end of the fiscal year. 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

The District put a new roof on the site at Glen View in 2008-2009 for a cost of \$376,523 and completed District-wide asphalt projects in the amount of \$676,033. Two portable classrooms were also purchased for \$72,000.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Long-Term Obligations

At year-end, the District had \$10,383,970 in long-term obligations outstanding as shown in Table 5. Appearing for the first time in this audit is the reporting of the Other Postemployment Benefits (OPEB) obligation as required by GASB Statement No. 45 (see page 47 for additional notes). This additional entry will appear in future District audits.

Table 5

	Governmental Activities		Business-Type Activities		School District Activities	
	2009	2008	2009	2008	2009	2008
Certificates of participation	\$ 7,755,000	\$ 8,190,000	\$ -	\$ -	\$ 7,755,000	\$ 8,190,000
Capitalized lease obligations	23,972	46,966	244,000	296,000	267,972	342,966
Compensated absences	577,948	508,798	-	-	577,948	508,798
Other postemployment benefits	1,783,050	-	-	-	1,783,050	-
Total	\$ 10,139,970	\$ 8,745,764	\$ 244,000	\$ 296,000	\$ 10,383,970	\$ 9,041,764

- The District continued to pay down its debt, retiring \$509,993 of the 2002 COP and capital leases.
- The liability for compensated absences increased by \$69,150.
- The District did not issue any new long-term debt in 2008-2009.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Ocean View School District's enrollment has seen a modest increase in 2008-2009 for the first time in several years. The increase appears to continue as the school year begins in 2009-2010. 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 year, 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 2009-2010 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, 2009

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, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 22,292,241	\$ 813,719	\$ 23,105,960
Receivables	9,213,212	123,991	9,337,203
Internal balances	152,318	(152,318)	-
Stores inventories	110,378	-	110,378
Total Current Assets	31,768,149	785,392	32,553,541
Capital assets			
Land and construction in process	20,351,198	-	20,351,198
Other capital assets	76,682,686	1,786,209	78,468,895
Less: Accumulated depreciation	(42,260,752)	(345,161)	(42,605,913)
Total Capital Assets	54,773,132	1,441,048	56,214,180
Total Assets	86,541,281	2,226,440	88,767,721
LIABILITIES			
Accounts payable	4,090,906	272,397	4,363,303
Accrued interest	120,646	-	120,646
Deferred revenue	702,756	115,532	818,288
Long-term obligations			
Current portion of long-term obligations	478,972	66,000	544,972
Noncurrent portion of long-term obligations	9,660,998	178,000	9,838,998
Total Liabilities	15,054,278	631,929	15,686,207
NET ASSETS			
Invested in capital assets, net of related debt	46,994,160	1,197,048	48,191,208
Restricted for:			
Debt service	336,493	-	336,493
Capital projects	3,907,239	-	3,907,239
Educational programs	5,609,070	-	5,609,070
Other activities	3,235,103	-	3,235,103
Unrestricted	11,404,938	397,463	11,802,401
Total Net Assets	\$ 71,487,003	\$ 1,594,511	\$ 73,081,514

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

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 56,764,275	\$ -	\$ 10,393,983	\$ 45,366
Instruction-related activities:				
Supervision of instruction	2,317,368	-	1,811,148	-
Instructional library, media, and technology	710,966	-	510,299	-
School site administration	4,743,244	-	120,452	-
Pupil services:				
Home-to-school transportation	2,213,170	7,426	997,169	-
Food services	2,486,159	1,147,287	1,462,655	-
All other pupil services	2,254,317	-	881,166	-
General administration:				
Data processing	521,953	-	-	-
All other general administration	3,624,322	57,331	626,530	-
Plant services	7,395,512	-	503,107	-
Ancillary services	48,599	-	-	-
Community services	109,064	-	124,147	-
Interest on long-term obligations	375,512	-	-	-
Other outgo	202,175	-	95,142	-
Depreciation (unallocated) ¹	2,541,649	-	-	-
Total Governmental Activities	86,308,285	1,212,044	17,525,798	45,366
Business-Type Activities:				
Child care services	2,835,697	1,956,352	841,420	-
Total Business-Type Activities	2,835,697	1,956,352	841,420	-
Total School District	\$ 89,143,982	\$ 3,168,396	\$ 18,367,218	\$ 45,366
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				
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
\$ (46,324,926)	\$ -	\$ (46,324,926)
(506,220)	-	(506,220)
(200,667)	-	(200,667)
(4,622,792)	-	(4,622,792)
(1,208,575)	-	(1,208,575)
123,783	-	123,783
(1,373,151)	-	(1,373,151)
(521,953)	-	(521,953)
(2,940,461)	-	(2,940,461)
(6,892,405)	-	(6,892,405)
(48,599)	-	(48,599)
15,083	-	15,083
(375,512)	-	(375,512)
(107,033)	-	(107,033)
(2,541,649)	-	(2,541,649)
<u>(67,525,077)</u>	<u>-</u>	<u>(67,525,077)</u>
-	(37,925)	(37,925)
-	(37,925)	(37,925)
<u>(67,525,077)</u>	<u>(37,925)</u>	<u>(67,563,002)</u>
28,003,710	-	28,003,710
284,836	-	284,836
21,932,793	-	21,932,793
6,128,390	-	6,128,390
458,954	16,647	475,601
9,275,403	-	9,275,403
<u>66,084,086</u>	<u>16,647</u>	<u>66,100,733</u>
(1,440,991)	(21,278)	(1,462,269)
(116,562)	116,562	-
(1,557,553)	95,284	(1,462,269)
73,044,556	1,499,227	74,543,783
<u>\$ 71,487,003</u>	<u>\$ 1,594,511</u>	<u>\$ 73,081,514</u>

OCEAN VIEW SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	<u>General Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Deposits and investments	\$ 8,137,913	\$ 6,600,744	\$ 7,553,584	\$ 22,292,241
Receivables	8,854,463	24,382	334,367	9,213,212
Due from other funds	281,550	92,900	55,000	429,450
Stores inventories	96,271	-	14,107	110,378
Total Assets	<u>\$ 17,370,197</u>	<u>\$ 6,718,026</u>	<u>\$ 7,957,058</u>	<u>\$ 32,045,281</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,761,237	\$ 160,087	\$ 169,582	\$ 4,090,906
Due to other funds	153,275	15	123,842	277,132
Deferred revenue	702,756	-	-	702,756
Total Liabilities	<u>4,617,268</u>	<u>160,102</u>	<u>293,424</u>	<u>5,070,794</u>
FUND BALANCES				
Reserved for:				
Revolving cash	50,000	-	1,000	51,000
Stores inventories	96,271	-	14,107	110,378
Legally restricted balance	5,609,070	-	-	5,609,070
Unreserved:				
Designated	6,997,588	6,557,924	7,191,388	20,746,900
Undesignated, reported in:				
Debt service funds	-	-	457,139	457,139
Total Fund Balance	<u>12,752,929</u>	<u>6,557,924</u>	<u>7,663,634</u>	<u>26,974,487</u>
Total Liabilities and Fund Balances	<u>\$ 17,370,197</u>	<u>\$ 6,718,026</u>	<u>\$ 7,957,058</u>	<u>\$ 32,045,281</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, 2009**

Total Fund Balance - Governmental Funds **\$ 26,974,487**

**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:	\$ 97,033,884	
Accumulated depreciation is:	<u>(42,260,752)</u>	
Net Capital Assets		54,773,132

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. (120,646)

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

Long-term obligations at year-end consist of:

Certificates of participation	(7,755,000)	
Compensated absences	(577,948)	
Capital lease obligations	(23,972)	
Other postemployment benefits (OPEB)	<u>(1,783,050)</u>	
Total Long-Term Obligations		<u>(10,139,970)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 71,487,003</u></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, 2009**

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 50,343,176	\$ -	\$ -	\$ 50,343,176
Federal sources	7,739,612	-	1,445,839	9,185,451
Other State sources	12,630,466	307,509	426,136	13,364,111
Other local sources	8,483,771	1,558,052	1,932,733	11,974,556
Total Revenues	79,197,025	1,865,561	3,804,708	84,867,294
EXPENDITURES				
Current				
Instruction	55,496,508	-	-	55,496,508
Instruction-related activities:				
Supervision of instruction	2,263,804	-	-	2,263,804
Instructional library, media, and technology	685,222	-	-	685,222
School site administration	4,629,248	-	-	4,629,248
Pupil services:				
Home-to-school transportation	2,171,826	-	-	2,171,826
Food services	-	-	2,460,595	2,460,595
All other pupil services	2,210,070	-	-	2,210,070
General administration:				
Data processing	526,199	-	-	526,199
All other general administration	3,356,315	-	135,971	3,492,286
Plant services	6,422,301	712,918	231,384	7,366,603
Facility acquisition and construction	-	3,271,481	376,181	3,647,662
Ancillary services	47,749	-	-	47,749
Community services	125,225	-	-	125,225
Other outgo	202,175	-	-	202,175
Debt service				
Principal	22,994	-	435,000	457,994
Interest and other	1,612	-	379,881	381,493
Total Expenditures	78,161,248	3,984,399	4,019,012	86,164,659
Excess (Deficiency) of Revenues				
Over Expenditures	1,035,777	(2,118,838)	(214,304)	(1,297,365)
Other Financing Sources (Uses)				
Transfers in	422,000	-	1,279,346	1,701,346
Transfers out	(491,038)	(1,224,346)	-	(1,715,384)
Net Financing Sources (Uses)	(69,038)	(1,224,346)	1,279,346	(14,038)
NET CHANGE IN FUND BALANCES	966,739	(3,343,184)	1,065,042	(1,311,403)
Fund Balance - Beginning	11,786,190	9,901,108	6,598,592	28,285,890
Fund Balance - Ending	\$ 12,752,929	\$ 6,557,924	\$ 7,663,634	\$ 26,974,487

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 DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds **\$ (1,311,403)**
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	\$ 3,683,724	
Depreciation expense	(2,541,649)	
	<u>1,142,075</u>	1,142,075

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. (1,783,050)

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 \$69,150. (69,150)

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

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2009

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 and capital lease obligations decreased by \$5,981.

Change in Net Assets of Governmental Activities

\$	5,981
\$	(1,557,553)

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, 2009

	Business-Type Activities
	Child Care
ASSETS	
Current Assets	
Deposits and investments	\$ 813,719
Receivables	123,991
Due from other funds	5,375
Total Current Assets	943,085
Noncurrent Assets	
Capital assets	1,786,209
Less: accumulated depreciation	(345,161)
Total Noncurrent Assets	1,441,048
Total Assets	2,384,133
LIABILITIES	
Current Liabilities	
Accounts payable	272,397
Due to other funds	157,693
Deferred revenue	115,532
Current portion of long-term obligations	52,000
Total Current Liabilities	597,622
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	192,000
NET ASSETS	
Invested in capital assets, net of related debt	1,197,048
Unrestricted	397,463
Total Net Assets	\$ 1,594,511

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, 2009**

	Business-Type Activities
	Child Care
OPERATING REVENUES	
Charges for services	\$ 1,956,352
OPERATING EXPENSES	
Payroll costs	2,394,712
Professional and contract services	87,583
Supplies and materials	133,122
Facility rental	4,794
Other operating costs	144,568
Depreciation	70,918
Total Operating Expenses	2,835,697
Operating Loss	(879,345)
NONOPERATING REVENUES	
Interest income	16,647
Federal grants	79,935
Other grants	761,485
Total Nonoperating Revenues	858,067
Income Before Capital Contributions and Transfers	(21,278)
Capital contributions	102,524
Transfers in	14,038
Change in Net Assets	95,284
Total Net Assets - Beginning	1,499,227
Total Net Assets - Ending	\$ 1,594,511

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, 2009**

	Business-Type Activities
	Child Care
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,982,313
Cash payments to suppliers of goods or services	(2,406,315)
Cash payments to employees for services	(219,586)
Other operating cash payments	(149,362)
Net Cash Used by Operating Activities	<u>(792,950)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	871,321
Net Cash Provided by Non-Capital Financing Activities	<u>871,321</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(11,898)
Principal paid on capital debt	(52,000)
Net Cash Used by Capital and Related Financing Activities	<u>(63,898)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	16,647
Net Cash Provided by Investing Activities	<u>16,647</u>
Net Increase in Cash and Cash Equivalents	31,120
Cash and Cash Equivalents - Beginning	782,599
Cash and Cash Equivalents - Ending	<u>\$ 813,719</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, 2009**

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

Operating loss	\$	(879,345)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		70,918
Changes in assets and liabilities:		
Accounts receivable		28,266
Due from other funds		874
Accounts payable		(16,412)
Due to other funds		5,054
Deferred revenue		(2,305)
NET CASH USED BY OPERATING ACTIVITIES	\$	(792,950)

NONCASH, CAPITAL FINANCING ACTIVITIES

During the year, the District received \$102,524 of capital contributions for capital assets from the Special Reserve Capital Outlay Fund.

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

OCEAN VIEW SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Agency Funds
	Student Funds
ASSETS	
Deposits and investments	\$ 326,886
Stores inventories	42,754
Total Assets	\$ 369,640
LIABILITIES	
Due to student groups	\$ 369,640
Total Liabilities	\$ 369,640

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

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 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, 2009

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.

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, 2009

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 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, 2009

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, 2009

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, 2009, 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, 2009

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

Accumulated unpaid vacation benefits 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund 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 \$13,087,905 of restricted net assets.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31 and become delinquent after November 1. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District had an annual required contribution of \$2,696,602 for the year ended June 30, 2009, and made a contribution of \$913,552 resulting in an OPEB obligation of \$1,783,050.

New Accounting Pronouncements

In March 2009, the GASB issued GASB 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.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 22,292,241
Business-type activities	813,719
Fiduciary funds	326,886
Total Deposits and Investments	<u>\$ 23,432,846</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 376,093
Cash in revolving	51,000
Investments	23,005,753
Total Deposits and Investments	<u>\$ 23,432,846</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.

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2009**

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	\$ 22,532	46 days
Investment Agreement	434,607	3/1/2022
County Pool	22,588,449	266 days
Total	<u>\$ 23,045,588</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	Unrated
First American Treasury Obligations				
Money Market Mutual Funds	X	\$ 22,532	\$ 22,532	\$ -
Investment Agreement	X	434,607	-	434,607
County Pool	X	22,588,449	22,588,449	-
Total		<u>\$ 23,045,588</u>	<u>\$ 22,610,981</u>	<u>\$ 434,607</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. As of June 30, 2009, the District's bank balance of \$29,450 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in possession of an outside party. Of the investment in investment agreements, the District has a custodial credit risk exposure of \$434,607 (fair value of \$434,607) because the related securities are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, 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	\$ 2,106,634	\$ -	\$ 274,136	\$ 2,380,770	\$ 21,984
State Government					
Apportionment	3,573,539	-	-	3,573,539	-
Categorical aid	1,740,146	-	2,723	1,742,869	30,342
Lottery	589,915	-	-	589,915	-
Other State	-	-	-	-	56,000
Local Government					
Due from SELPA	79,502	-	-	79,502	-
Due from County	403,044	-	-	403,044	-
Interest	15,050	24,382	7,938	47,370	870
Other Local Sources	346,633	-	49,570	396,203	14,795
Total	<u>\$ 8,854,463</u>	<u>\$ 24,382</u>	<u>\$ 334,367</u>	<u>\$ 9,213,212</u>	<u>\$ 123,991</u>

All receivables are expected to be collected within one year.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 10,554,104	\$ -	\$ -	\$ 10,554,104
Construction in process	7,157,516	2,750,883	111,305	9,797,094
Total Capital Assets Not Being Depreciated	<u>17,711,620</u>	<u>2,750,883</u>	<u>111,305</u>	<u>20,351,198</u>
Capital Assets Being Depreciated				
Land improvements	6,384,170	789,589	-	7,173,759
Buildings and improvements	57,204,264	46,871	-	57,251,135
Furniture and equipment	12,069,545	207,686	19,439	12,257,792
Total Capital Assets Being Depreciated	<u>75,657,979</u>	<u>1,044,146</u>	<u>19,439</u>	<u>76,682,686</u>
Less Accumulated Depreciation				
Land improvements	5,913,909	62,272	-	5,976,181
Buildings and improvements	24,909,394	1,666,143	-	26,575,537
Furniture and equipment	8,915,239	813,234	19,439	9,709,034
Total Accumulated Depreciation	<u>39,738,542</u>	<u>2,541,649</u>	<u>19,439</u>	<u>42,260,752</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,631,057</u>	<u>\$ 1,253,380</u>	<u>\$ 111,305</u>	<u>\$ 54,773,132</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in process	\$ 165,000	\$ -	\$ 165,000	\$ -
Capital Assets Being Depreciated				
Buildings and improvements	1,497,056	267,524	-	1,764,580
Furniture and equipment	9,731	11,898	-	21,629
Total Capital Assets Being Depreciated	<u>1,506,787</u>	<u>279,422</u>	<u>-</u>	<u>1,786,209</u>
Less Accumulated Depreciation				
Buildings and improvements	268,567	67,914	-	336,481
Furniture and equipment	5,676	3,004	-	8,680
Total Accumulated Depreciation	<u>274,243</u>	<u>70,918</u>	<u>-</u>	<u>345,161</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,397,544</u>	<u>\$ 208,504</u>	<u>\$ 165,000</u>	<u>\$ 1,441,048</u>

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

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009, between major and non-major governmental funds, and non-major enterprise funds are as follows:

Due To	Due From				Total
	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Child Care Enterprise Fund	
General Fund	\$ -	\$ 15	\$ 123,842	\$ 157,693	\$ 281,550
Special Reserve Capital Outlay Fund	92,900	-	-	-	92,900
Non-Major Governmental Funds	55,000	-	-	-	55,000
Child Care Enterprise	5,375	-	-	-	5,375
Total	<u>\$ 153,275</u>	<u>\$ 15</u>	<u>\$ 123,842</u>	<u>\$ 157,693</u>	<u>\$ 434,825</u>

The balance of \$123,842 due to the General Fund from the non-major governmental funds resulted from indirect and payroll related costs paid by the General Fund but incurred by the Cafeteria Fund. The balance of \$157,693 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. The balance of \$55,000 due to the Non-Major Governmental Funds from the General Fund was to establish a reserve for postemployment benefits. All remaining balances are for the reimbursement of operating costs/program expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Special Reserve Capital Outlay Fund	
General Fund	\$ -	\$ 422,000	\$ 422,000
Non-Major Governmental Funds	477,000	802,346	1,279,346
Child Care Enterprise	14,038	-	14,038
Total	<u>\$ 491,038</u>	<u>\$ 1,224,346</u>	<u>\$ 1,715,384</u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The Special Reserve Capital Outlay Fund transferred to the General Fund for deferred maintenance.	\$ 422,000
The General Fund transferred to the Child Care Enterprise for the child care reserve.	14,038
The General Fund transferred to the Special Reserve Non-Capital Fund to establish a reserve for postemployment benefits.	55,000
The General Fund transferred to the Deferred Maintenance Fund for the deferred maintenance contribution.	422,000
The Special Reserve Capital Outlay Fund transferred to the COP Debt Service Fund for the debt service payments.	802,346
Total	<u><u>\$ 1,715,384</u></u>

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, 2009, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise
Salaries and benefits	\$ 3,126,336	\$ -	\$ 125,607	\$ 3,251,943	\$ 217,332
Materials and supplies	40,352	1,074	18,017	59,443	1,239
Services and other operating	518,358	53,320	25,530	597,208	1,826
Construction	614	105,693	-	106,307	-
State apportionment	72,782	-	-	72,782	-
Other vendor payables	2,795	-	428	3,223	52,000
Total	<u><u>\$ 3,761,237</u></u>	<u><u>\$ 160,087</u></u>	<u><u>\$ 169,582</u></u>	<u><u>\$ 4,090,906</u></u>	<u><u>\$ 272,397</u></u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	<u>General Fund</u>	<u>Child Care Enterprise</u>
Federal financial assistance	\$ 692,778	\$ -
State categorical aid	9,978	2,135
Other local	-	113,397
Total	<u>\$ 702,756</u>	<u>\$ 115,532</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

Governmental Activities

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Due in One Year</u>
Certificates of participation	\$8,190,000	\$ -	\$ 435,000	\$ 7,755,000	\$ 455,000
Compensated absences	508,798	69,150	-	577,948	-
Capital leases	46,966	-	22,994	23,972	23,972
Other postemployment benefits	-	1,783,050	-	1,783,050	-
	<u>\$8,745,764</u>	<u>\$1,852,200</u>	<u>\$ 457,994</u>	<u>\$ 10,139,970</u>	<u>\$ 478,972</u>

Business-Type Activities

Capital leases	<u>\$ 296,000</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ 244,000</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.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2002 Certificates of Participation

On March 1, 2002, the District issued certificates of participation in the amount of \$10,500,000 with interest rates ranging from 3.5 to 4.75 percent. At June 30, 2009, the principal balance outstanding was \$7,755,000.

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 455,000	\$ 361,938	\$ 816,938
2011	475,000	344,420	819,420
2012	490,000	325,420	815,420
2013	510,000	305,330	815,330
2014	535,000	283,146	818,146
2015-2019	3,065,000	1,019,906	4,084,906
2020-2022	2,225,000	228,160	2,453,160
Total	<u>\$ 7,755,000</u>	<u>\$ 2,868,320</u>	<u>\$ 10,623,320</u>

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2009, amounted to \$577,948.

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	\$ 49,210
Payments	(24,605)
Balance, End of Year	<u>\$ 24,605</u>

Business-Type Activities

	Modulars
Balance, Beginning of Year	\$ 296,000
Payments	(52,000)
Balance, End of Year	<u>\$ 244,000</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

The capital leases have minimum lease payments as follows:

Governmental Activities

Year Ending June 30,	Lease Payment
<u>2010</u>	\$ 24,605
Less: Amount Representing Interest	633
Present Value of Minimum Lease Payments	<u>\$ 23,972</u>

Business-Type Activities

Year Ending June 30,	Lease Payment
<u>2010</u>	\$ 66,000
2011	66,000
2012	14,000
2013	14,000
2014	14,000
2015-2018	70,000
Total	<u>\$ 244,000</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 for the year ended June 30, 2009, was \$2,696,602 and contributions made by the District during the year were \$913,552, which resulted in a net OPEB obligation of \$1,783,050. 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, 2009**

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	\$ 50,000	\$ -	\$ 1,000	\$ 51,000
Stores inventories	96,271	-	14,107	110,378
Restricted programs	5,609,070	-	-	5,609,070
Total Reserved	<u>5,755,341</u>	<u>-</u>	<u>15,107</u>	<u>5,770,448</u>
Unreserved				
Designated				
Economic uncertainties	2,305,530	-	150,000	2,455,530
Site carryover	879,333	-	-	879,333
Health benefits pool	22,737	-	-	22,737
Tier III programs	690,295	-	-	690,295
Revenue limit - \$253 per ADA	986,468	-	-	986,468
Emergency reserve	2,113,225	-	-	2,113,225
Other designations	-	6,557,924	7,041,388	13,599,312
Total Designated	<u>6,997,588</u>	<u>6,557,924</u>	<u>7,191,388</u>	<u>20,746,900</u>
Undesignated, reported in:				
Debt service funds	-	-	457,139	457,139
Total Unreserved	<u>6,997,588</u>	<u>6,557,924</u>	<u>7,648,527</u>	<u>21,204,039</u>
Total	<u>\$ 12,752,929</u>	<u>\$ 6,557,924</u>	<u>\$ 7,663,634</u>	<u>\$ 26,974,487</u>

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:

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Year Ending June 30,	Lease Revenue
2010	\$ 1,741,322
2011	1,741,322
2012	1,210,453
2013	1,015,077
2014	1,035,807
2015-2019	5,069,661
2020-2024	5,418,252
2025-2029	2,543,750
2030-2034	2,771,875
2035-2038	2,918,750
Thereafter	19,864,375
Total	<u>\$ 45,330,644</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 235 retirees and beneficiaries currently receiving benefits, 10 terminated Plan members entitled to but not yet receiving benefits, and 649 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 2008-2009, the District contributed \$913,552 to the Plan, all of which was used for current premiums (approximately 63 percent of total premiums). Plan members receiving benefits contributed \$533,614, or approximately 37 percent of the total premiums.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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
Contributions made	(913,552)
Increase in net OPEB obligation	<u>1,783,050</u>
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 1,783,050</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
<u>2009</u>	<u>\$ 2,696,602</u>	34%	<u>\$ 1,783,050</u>

Funded Status and Funding Progress

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. Since this is the first year of implementation, only the current year information is presented.

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 July 1, 2008, was 30 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.

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).

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 2008-2009 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, 2009, 2008, and 2007, were \$3,298,620, \$3,280,630, and \$3,238,462, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 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, 2009, 2008, and 2007 were \$1,434,914, \$1,444,132, and \$1,325,153, respectively, and equal 100 percent of the required contributions for each year.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 \$1,801,392 (4.517 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, 2009.

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, 2009.

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, the District made payments of \$440,037, \$811,428 and \$856,969 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 4 of the 2009-2010 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 17 - SUBSEQUENT EVENT

On July 28, 2009, the Governor of the State of California signed a package of bills amending the 2008-2009 and 2009-2010 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-2009 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-2010 to backfill \$1.5 billion of these cuts to repay the 2008-2009 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended, or unliquidated categorical program balances identified in the July 2009 State Budget package.

REQUIRED SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative)
				Final
				to Actual
REVENUES				
Revenue limit sources	\$ 50,965,535	\$ 50,343,180	\$ 50,343,176	\$ (4)
Federal sources	4,206,783	8,083,058	7,739,612	(343,446)
Other State sources	12,598,217	12,246,062	12,630,466	384,404
Other local sources	8,271,643	8,708,562	8,483,771	(224,791)
Total Revenues ¹	76,042,178	79,380,862	79,197,025	(183,837)
EXPENDITURES				
Current				
Instruction	53,585,449	55,189,099	55,496,508	(307,409)
Instruction-related activities:				
Supervision of instruction	2,104,134	2,062,585	2,263,804	(201,219)
Instructional library, media, and technology	1,083,113	1,070,902	685,222	385,680
School site administration	4,573,771	4,642,275	4,629,248	13,027
Pupil services:				
Home-to-school transportation	2,228,374	2,176,682	2,171,826	4,856
All other pupil services	2,144,619	2,236,541	2,210,070	26,471
General administration:				
Data processing	556,169	580,696	526,199	54,497
All other general administration	3,780,519	3,874,636	3,356,315	518,321
Plant services	6,806,434	6,900,852	6,422,301	478,551
Ancillary services	3,500	46,949	47,749	(800)
Community services	106,822	124,936	125,225	(289)
Other outgo	148,546	202,175	202,175	-
Debt service				
Principal and interest	24,606	24,606	24,606	-
Total Expenditures ¹	77,146,056	79,132,934	78,161,248	971,686
Excess (Deficiency) of Revenues Over Expenditures	(1,103,878)	247,928	1,035,777	787,849
Other Financing Sources (Uses)				
Transfers in	422,000	383,220	422,000	38,780
Transfers out	(422,000)	(491,038)	(491,038)	-
Net Financing Sources (Uses)	-	(107,818)	(69,038)	38,780
NET CHANGE IN FUND BALANCES	(1,103,878)	140,110	966,739	826,629
Fund Balance - Beginning	11,786,190	11,786,190	11,786,190	-
Fund Balance - Ending	\$ 10,682,312	\$ 11,926,300	\$ 12,752,929	\$ 826,629

¹ On behalf payments of \$1,801,392 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, 2009**

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	\$ -	\$46,958,692	48%

SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

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]	\$ 116,644
Passed through from Huntington Beach Union High School District: Adult Education Center Program	84.002	14508	79,935
Passed through from California Department of Education (CDE): No Child Left Behind Act			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	1,238,792
Title I, Part B - Even Start Family Literacy Program	84.213	14331	124,035
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	362,287
Title II, Part D - Enhancing Education Through Technology, Formula Grants	84.318	14334	14,087
Title II, Part D - Enhancing Education Through Technology, Competitive Grants	84.318	14368	458,592
Title III - Limited English Proficient Student Program	84.365	10084	175,708
Title III - Immigrant Education Program	84.365	14346	26,980
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	14347	26,103
Title V, Part A - Innovative Education Strategies	84.298A	14354	14,572
Passed through from West Orange County Consortium for Special Education:			
Individuals with Disabilities Education Act (IDEA)			
Preschool Grants, Part B	84.173	13430	75,780
ARRA Preschool Grants, Part B	84.392	15000	18,668
Local Assistance Entitlement, Part B	84.027	13379	1,485,189
ARRA Local Assistance Entitlement, Part B	84.391	15003	39,560
Preschool Local Entitlement, Part B	84.027A	13682	176,371
ARRA Preschool Local Entitlement, Part B	84.391	15002	39,995
State Improvement Grant, Improving Special Ed Systems	84.372	14577	24,495
Total U.S. Department of Education			<u>4,497,793</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	1,161,491
Especially Needy Breakfast	10.553	13390	160,738
Meals Supplements	10.555	13755	42,436
Commodities	10.555	[1]	23,510
Summer Food Service Program	10.559	13004	34,315
Fresh Fruit and Vegetables Program	10.582	14968	23,349
Total U.S. Department of Agriculture			<u>1,445,839</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, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES			
Passed through CDE:			
LEA Medi-Cal Billing Option	93.778	10013	\$ 116,343
Passed through from Orange County Department of Education:			
Medi-Cal Administrative Activities	93.778	10060	<u>110,095</u>
Total U.S. Department of Health and Human Services			<u>226,438</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,170,070</u></u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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>
Mr. Norm Westwell	President	2012
Ms. Tracy Pellman	Clerk	2010
Mr. John Briscoe	Member	2010
Mr. George Clemens	Member	2010
Ms. Debbie Cotton	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, 2009**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	1,191	1,188
First through third	2,794	2,791
Fourth through sixth	2,892	2,894
Seventh and eighth	2,073	2,065
Special education	275	278
Total Elementary	<u>9,225</u>	<u>9,216</u>
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
K-8		<u>76,336</u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Grade Level</u>	1982-83	1986-87	2008-09	<u>Number of Days</u>		<u>Status</u>
	<u>Actual Minutes</u>	<u>Minutes Requirement</u>	<u>Actual Minutes</u>	<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Kindergarten	35,200	36,000	36,000	180	-	In Compliance
Grades 1 - 3	48,911	50,400				
Grade 1			50,400	180	-	In Compliance
Grade 2			50,400	180	-	In Compliance
Grade 3			50,400	180	-	In Compliance
Grades 4 - 5	57,967	54,000				
Grade 4			57,984	180	-	In Compliance
Grade 5			57,984	180	-	In Compliance
Grades 6 - 8	57,967	54,000				
Grade 6			58,100	180	-	In Compliance
Grade 7			58,100	180	-	In Compliance
Grade 8			58,100	180	-	In Compliance

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, 2009**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2009, Unaudited Actuals	\$ 14,148,047
Decrease in:	
Accounts receivable ¹	<u>(1,395,118)</u>
Balance, June 30, 2009, Audited Financial Statement	<u><u>\$ 12,752,929</u></u>
	<u>Child Development Enterprise</u>
NET ASSETS	
Balance, June 30, 2009	\$ 1,744,488
Decrease in:	
Accounts receivable ¹	<u>(149,977)</u>
Balance, June 30, 2009, Audited Financial Statement	<u><u>\$ 1,594,511</u></u>

¹ The adjustment is for the ABX4 3 unappropriated State categorical programs as described in Note 17 - Subsequent Event

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget)			
	2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 75,049,457	\$ 79,197,025	\$ 79,489,275	\$ 80,689,171
Other sources and transfers in	422,000	422,000	686,813	465,000
Total Revenues and Other Sources	<u>75,471,457</u>	<u>79,619,025</u>	<u>80,176,088</u>	<u>81,154,171</u>
Expenditures	75,716,895	78,161,248	79,084,324	76,989,541
Other uses and transfers out	100,000	491,038	415,000	315,000
Total Expenditures and Other Uses	<u>75,816,895</u>	<u>78,652,286</u>	<u>79,499,324</u>	<u>77,304,541</u>
INCREASE (DECREASE)				
IN FUND BALANCE	<u>\$ (345,438)</u>	<u>\$ 966,739</u>	<u>\$ 676,764</u>	<u>\$ 3,849,630</u>
ENDING FUND BALANCE	<u>\$ 13,802,609</u>	<u>\$ 12,752,929</u>	<u>\$ 11,786,190</u>	<u>\$ 11,109,426</u>
AVAILABLE RESERVES ^{2,4}	<u>\$ 2,274,508</u>	<u>\$ 2,305,530</u>	<u>\$ 2,332,176</u>	<u>\$ 3,903,740</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>5.17%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 10,383,970</u>	<u>\$ 9,041,764</u>	<u>\$ 9,522,259</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>9,292</u>	<u>9,225</u>	<u>9,108</u>	<u>9,205</u>

The General Fund balance has increased by \$1,643,503 over the past two years. The fiscal year 2009-2010 budget projects a decrease of \$345,438 (2.7 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 each of the past three years but anticipates incurring an operating deficit during the 2009-2010 fiscal year. Total long-term obligations have increased by \$861,711 over the past two years.

Average daily attendance has increased by 20 over the past two years. Additional growth of 67 ADA is anticipated during fiscal year 2009-2010.

¹ Budget 2010 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 \$1,801,392, \$1,760,135, and \$1,771,866 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2009, 2008 and 2007, respectively.

⁴ The District recorded the revenue and related receivable associated with its portion of the 2008-2009 reverted unallocated, unexpended or un-liquidated categorical program balances identified in the 2009-2010 re-appropriation in the July 2009 State Budget package prior to notification by the State that the 2009-2010 re-appropriation should not be accrued. In accordance with Government Accounting Standards Board Statement No 33, an adjustment to reduce revenue and the related receivable has been included in these financial statements. (See Note 17 - Subsequent Event) California *Education Code* Section 33128.1 allows the District to include these accruals in their Available Reserves calculation. However, because the District has designated a portion of their Fund Balance for this, there is no impact on the District's Fund Balance or Available Reserves.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2009

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
ASSETS			
Deposits and investments	\$ 771,720	\$ 2,454,463	\$ 9,144
Receivables	278,464	2,719	9
Due from other funds	-	-	55,000
Stores inventories	14,107	-	-
Total Assets	<u>\$ 1,064,291</u>	<u>\$ 2,457,182</u>	<u>\$ 64,153</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 152,486	\$ 10,042	\$ -
Due to other funds	123,842	-	-
Total Liabilities	<u>276,328</u>	<u>10,042</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Revolving cash	1,000	-	-
Stores inventories	14,107	-	-
Unreserved:			
Designated	772,856	2,447,140	64,153
Undesignated, reported in:			
Debt service funds	-	-	-
Total Fund Balances	<u>787,963</u>	<u>2,447,140</u>	<u>64,153</u>
Total Liabilities and Fund Balances	<u>\$ 1,064,291</u>	<u>\$ 2,457,182</u>	<u>\$ 64,153</u>

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ 1,683,701	\$ 2,177,417	\$ 457,139	\$ 7,553,584
50,709	2,466	-	334,367
-	-	-	55,000
-	-	-	14,107
<u>\$ 1,734,410</u>	<u>\$ 2,179,883</u>	<u>\$ 457,139</u>	<u>\$ 7,957,058</u>
\$ 6,869	\$ 185	\$ -	\$ 169,582
-	-	-	123,842
<u>6,869</u>	<u>185</u>	<u>-</u>	<u>293,424</u>
-	-	-	1,000
-	-	-	14,107
1,727,541	2,179,698	-	7,191,388
-	-	457,139	457,139
<u>1,727,541</u>	<u>2,179,698</u>	<u>457,139</u>	<u>7,663,634</u>
<u>\$ 1,734,410</u>	<u>\$ 2,179,883</u>	<u>\$ 457,139</u>	<u>\$ 7,957,058</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, 2009**

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
REVENUES			
Federal sources	\$ 1,445,839	\$ -	\$ -
Other State sources	97,826	328,310	-
Other local sources	1,218,080	41,901	181
Total Revenues	2,761,745	370,211	181
EXPENDITURES			
Current			
Food services	2,460,595	-	-
General administration			
All other general administration	119,721	-	-
Plant services	-	229,142	-
Facility acquisition and construction	-	304,182	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,580,316	533,324	-
Excess (Deficiency) of Revenues Over Expenditures	181,429	(163,113)	181
Other Financing Sources			
Transfers in	-	422,000	55,000
Net Financing Sources	-	422,000	55,000
NET CHANGE IN FUND BALANCES	181,429	258,887	55,181
Fund Balance - Beginning	606,534	2,188,253	8,972
Fund Balance - Ending	\$ 787,963	\$ 2,447,140	\$ 64,153

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,445,839
-	-	-	426,136
604,641	45,366	22,564	1,932,733
<u>604,641</u>	<u>45,366</u>	<u>22,564</u>	<u>3,804,708</u>
-	-	-	2,460,595
16,250	-	-	135,971
-	2,242	-	231,384
71,999	-	-	376,181
-	-	435,000	435,000
-	-	379,881	379,881
<u>88,249</u>	<u>2,242</u>	<u>814,881</u>	<u>4,019,012</u>
<u>516,392</u>	<u>43,124</u>	<u>(792,317)</u>	<u>(214,304)</u>
-	-	802,346	1,279,346
-	-	802,346	1,279,346
516,392	43,124	10,029	1,065,042
1,211,149	2,136,574	447,110	6,598,592
<u>\$ 1,727,541</u>	<u>\$ 2,179,698</u>	<u>\$ 457,139</u>	<u>\$ 7,663,634</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, 2009**

(Amounts in thousands, excluding Revenue Limit Per ADA)	Actual Results for the Years					
	2008-2009		2007-2008		2006-2007	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 7,740	9.8	\$ 4,180	5.3	\$ 4,712	5.8
State and local revenue included in revenue limit	50,343	63.6	51,360	64.6	51,204	63.5
Other State revenue	12,631	15.9	15,387	19.3	16,649	20.6
Other local revenue	3,186	4.0	2,869	3.6	2,507	3.1
Tuition and transfers in	5,297	6.7	5,693	7.2	5,617	7.0
Total Revenues	79,197	100.0	79,489	100.0	80,689	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	40,372	51.0	40,262	50.7	39,777	49.3
Classified salaries	14,506	18.3	14,735	18.5	13,558	16.8
Employee benefits	15,075	19.0	14,731	18.5	14,151	17.5
Total Salaries and Benefits	69,953	88.3	69,728	87.7	67,486	83.6
Books and supplies	2,976	3.8	2,989	3.8	3,457	4.3
Services and operating expenses	5,138	6.5	5,930	7.5	5,688	7.0
Capital outlay	131	0.2	543	0.7	206	0.3
Other outgo	(61)	(0.1)	(131)	(0.2)	(120)	(0.1)
Debt service	24	-	25	-	273	0.3
Total Expenditures	78,161	98.7	79,084	99.5	76,990	95.4
EXCESS OF REVENUES OVER EXPENDITURES	1,036	1.3	405	0.5	3,699	4.6
OTHER FINANCING SOURCES (USES)	(69)	(0.1)	272	0.3	150	0.2
INCREASE IN FUND BALANCE	967	1.3	677	0.8	3,849	4.8
FUND BALANCE, BEGINNING	11,786	14.9	11,109	14.0	7,260	9.0
FUND BALANCE, ENDING	\$12,753	16.1	\$11,786	14.8	\$11,109	13.8
BASE REVENUE LIMIT PER ADA	\$ 5,838		\$ 5,523		\$ 5,282	

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, 2009**

(Amounts in thousands)

	Actual Results for the Years					
	2008-2009		2007-2008		2006-2007	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal meal program	\$ 1,446	52.4	\$ 1,255	49.1	\$ 1,202	49.1
State meal program	98	3.5	101	3.9	90	3.7
Food sales	1,204	43.6	1,172	45.9	1,126	46.0
Other	14	0.5	27	1.1	31	1.2
Total Revenues	<u>2,762</u>	<u>100.0</u>	<u>2,555</u>	<u>100.0</u>	<u>2,449</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	952	34.5	909	35.6	864	35.3
Food	1,369	49.6	1,408	55.1	1,261	51.5
Supplies	81	2.9	102	4.0	105	4.3
Other	179	6.5	189	7.4	158	6.5
Total Expenditures	<u>2,581</u>	<u>93.5</u>	<u>2,608</u>	<u>102.1</u>	<u>2,388</u>	<u>97.6</u>
INCREASE (DECREASE) IN FUND BALANCE	181	6.5	(53)	(2.1)	61	2.4
FUND BALANCE, BEGINNING	607	22.0	660	25.8	599	24.5
FUND BALANCE, ENDING	<u>\$ 788</u>	<u>28.5</u>	<u>\$ 607</u>	<u>23.7</u>	<u>\$ 660</u>	<u>26.9</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2008-2009		2007-2008		2006-2007	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	226,150	31.8	265,315	36.9	246,237	35.8
Reduced price	72,079	10.1	69,401	9.7	70,748	10.3
Free	414,018	58.1	383,390	53.4	370,511	53.9
Total Lunches	<u>712,247</u>	<u>100.0</u>	<u>718,106</u>	<u>100.0</u>	<u>687,496</u>	<u>100.0</u>
BREAKFAST						
Paid	5,868	5.7	5,716	7.4	5,335	7.0
Reduced price	14,016	13.6	9,575	12.3	10,474	13.7
Free	83,291	80.7	62,395	80.3	60,472	79.3
Total Breakfast	<u>103,175</u>	<u>100.0</u>	<u>77,686</u>	<u>100.0</u>	<u>76,281</u>	<u>100.0</u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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 Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance and Business-Type Activities:		\$ 9,265,386
ARRA - State Fiscal Stabilization Funds	84.394	(3,081,620)
Medi-Cal Billing Option	93.778	(13,696)
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,170,070</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. Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by *Education Code* Section 46201.

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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 Account Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account 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 (the District) as of and for the year ended June 30, 2009, which collectively comprise Ocean View School District's basic financial statements and have issued our report thereon dated December 7, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. (Item 2009-1)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Ocean View School District in a separate letter dated December 7, 2009.

Ocean View School District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Ocean View School District's response and, accordingly, express no opinion on it.

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.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO 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 (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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, 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 *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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 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.

Rancho Cucamonga, California
December 7, 2009

Varinet, Time, Day & Co., LLP



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 (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. 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 2008-2009, 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, Procedures Performed. Rows include Attendance Accounting, Instructional Time, Community day schools, Instructional Materials, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, Early retirement incentive, Gann limit calculation, School Accountability Report Card.

	Procedures in Audit Guide	Procedures Performed
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	Yes
After school	4	Yes
Before school	5	Yes
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

We performed testing of procedure (a) only for the Instructional Materials general requirements, as additional procedures were determined to not be required.

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.

Rancho Cucamonga, California
December 7, 2009

Vavinek, Trine Day & Co., LLP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OCEAN VIEW SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiency identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<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 Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education (IDEA) Cluster</u>
<u>84.391, 84.392</u>	<u>ARRA - Special Education (IDEA) Cluster</u>
<u>84.318</u>	<u>Title II, Part D - Enhancing Education Through Technology Grants</u>

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<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, 2009

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

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.

District Response

Ocean View School District has recognized this internal control issue and actively sought during the 2008-2009 school year to invest a great deal of staff time and effort to convert to the Orange County Department of Education BiTech Human Resources module. The configuration and conversion process included the separation of payroll and human resources functions to address this internal control issue and audit finding. This conversion was completed in June 2009, and from this point forward the District believes the internal control situation has been effectively addressed and corrected.

OCEAN VIEW SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

2008-1 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. We 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. However, during 2007-2008, this conversion has not yet taken place.

Recommendation

As noted, the District is in the process of implementing procedures to ensure that proper segregation of duties exists 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

Not implemented. See current year finding 2009-1.

State Awards Findings

After School Education and Safety Program

2008-2 40000

Early Release Policy

Criteria or Specific Requirements

According to California *Education Code* Section 8483 (a) (1), every after school program must establish a policy regarding reasonable early daily release of pupils from the program. The policy must include at a minimum the following five elements:

1. Attendance expectations and requirements
2. Consequences for unauthorized instances or unacceptable pattern of unauthorized early program departures
3. Individuals authorized to request early-release and sign out pupils
4. List of authorized/unauthorized reasons for early-release
5. Sign out procedures for early-release pupils

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Condition

The District has not adopted an early release policy containing the five elements noted above for the fiscal year 2007-2008.

Questioned Costs

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

Context

The condition identified resulted from our inquiry with District personnel.

Effect

As a result of the condition identified, the District is not in compliance with California *Education Code* Section 8483 (a) (1). In the absence of an early release policy, we were unable to conclude whether or not students were participating reasonably for the full day of the program except as what would be consistent with an established early release policy.

Cause

The cause of the non-compliance is unknown.

Recommendation

The District should establish an early release policy including each of the five elements noted above and implement it at all school sites operating the program. In addition, the District should implement procedures requiring parents and/or students to document the reason for early release. This can be accomplished through documentation on the sign in/sign out log or through completion of a separate "Request for Early Release Form". The purpose of early release should be consistent with the early release policy and reviewed by the program instructor upon release of the student.

Current Status

Implemented.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

After School Education and Safety Program – Late Arrival Policy

2008-3 40000

Criteria or Specific Requirement

According to California *Education Code* Section 8483 (1) (a) (1), every before school program must establish a policy regarding reasonable late daily arrival of pupils from the program. The policy must include at a minimum the following seven elements:

1. Attendance expectations and requirements
2. Consequences for unauthorized instances or unacceptable pattern of unauthorized late arrival
3. Individuals authorized to request late arrival and sign in pupils
4. List of authorized/unauthorized reasons for late arrival
5. Procedures to obtain an excused late arrival
6. Notification procedures that parents/guardians can use to inform staff of a pupil's anticipated late arrival
7. Sign in procedures for late arriving pupils

Condition

The District has not adopted a late arrival policy containing the seven elements noted above for the fiscal year 2007-2008.

Questioned Cost

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

Context

The condition identified resulted from our inquiry with District personnel.

Effect

As a result of the condition identified, the District is not in compliance with California *Education Code* Section 8483 (1) (a) (1). In the absence of a late arrival policy, we were unable to conclude whether or not students were participating reasonably for the full day of the program except as what would be consistent with an established late arrival policy.

Cause

The cause of the non-compliance is unknown.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

The District should establish a late arrival policy including each of the seven elements noted above and implement it at all school sites operating the program. In addition, the District should implement procedures requiring parents and/or students to document the reason for late arrival. This can be accomplished through documentation on the sign in/sign out log or through completion of a separate "Request for Late Arrival Form". The purpose of late arrival should be consistent with the late arrival policy and reviewed by the program instructor upon release of the student.

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, 2009, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 7, 2009, on the financial statements of Ocean View School District.

ASSOCIATED STUDENT BODY (ASB)

Revenue Potentials

Mesa View Middle School

Finding

1. Revenue potential forms are not being used to document and control fundraising activities as they occur. At the time of our visit, no revenue potential forms have been completed. The site has noted that currently, they complete all revenue potential forms at the end of every school year and not at the time the fundraiser occurs. These forms supply an element of internal controls without which it is difficult to analyze the potential income before the fundraiser begins and then determine the success of a fundraiser upon completion.
2. Three of nine disbursements selected for testing did not have pre-approval from the ASB within its meeting minutes. Expenses were incurred prior to authorization from the ASB.

Recommendation

1. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.
2. To ensure that proper funding is available and expenditures are for authorized items, all expenditures should be approved by the student council before items are purchased. This will ensure that deficit spending is not performed, and that items purchased are student approved items and are appropriate for the associated student body.

Governing Board
Ocean View School District

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

Vavriek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2009