

OCEAN VIEW SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

OCEAN VIEW SCHOOL DISTRICT

OF ORANGE COUNTY

HUNTINGTON BEACH, CALIFORNIA

JUNE 30, 2008

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ms. Debbie Cotton	President	2008
Mr. Norm Westwell	Clerk	2008
Mr. John Briscoe	Member	2010
Mr. George Clemens	Member	2010
Ms. Tracy Pellman	Member	2010

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, 2008, 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 2007-08*, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, 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.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
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The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison information on page 51, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Varvick, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008

Ocean View School District

"Equity and Excellence"

17200 Pinehurst Lane
Huntington Beach
California 92647-5569
714/847-2551
Fax: 714/847-1430
Web: www.ovsd.org

Superintendent
Alan G. Rasmussen, Ed. D.

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

This section of Ocean View School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

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

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

Governmental Activities

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

Business-Type Activities

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

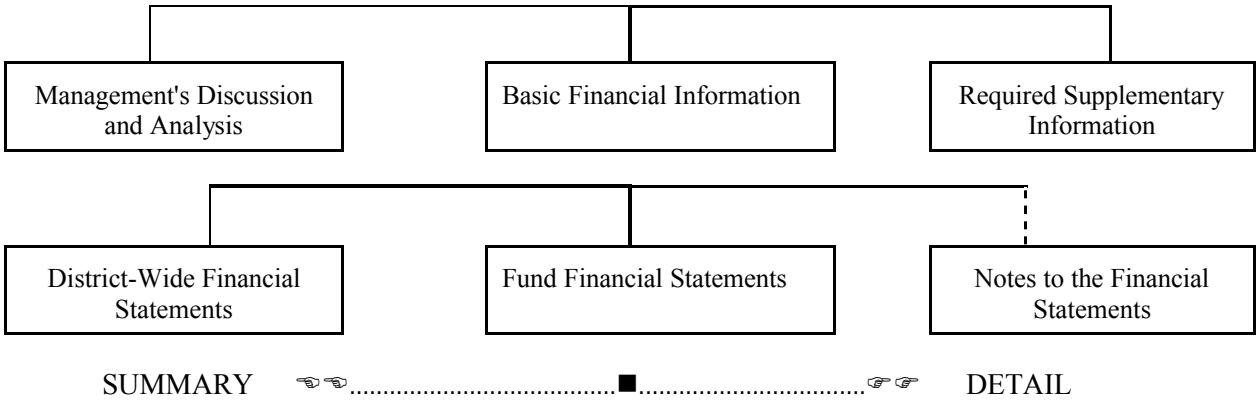
Figure 1-A shows how the various parts of this annual report are arranged and related to one another.

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

		Fund Statements		
Type of Statements	**District-Wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food Services and Adult Education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows	• Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; ASB funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

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



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

FINANCIAL HIGHLIGHTS

The District's financial status remains positive. The ending balance of the General Fund increased $676,764 between July 1, 2007 and June 30, 2008. 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, 2008, with an emergency reserve of 2.8 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 2009 as a further development and refinement of the 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 reduced its outstanding long-term obligations by $480,495 or 5.3 percent.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's combined net assets were $74,543,783 for the fiscal year ended June 30, 2008. Of this amount, $15,304,780 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 32,972,617	$ 30,175,827	$ 804,330	$ 749,975	$ 33,776,947	$ 30,925,802
Capital assets	53,631,057	54,771,316	1,397,544	1,294,372	55,028,601	56,065,688
Total Assets	**86,603,674**	**84,947,143**	**2,201,874**	**2,044,347**	**88,805,548**	**86,991,490**
Current liabilities	4,813,354	4,386,480	406,647	411,515	5,220,001	4,797,995
Long-term obligations	8,745,764	9,314,259	296,000	208,000	9,041,764	9,522,259
Total Liabilities	**13,559,118**	**13,700,739**	**702,647**	**619,515**	**14,261,765**	**14,320,254**
Net assets:						
Invested in capital assets, net of related debt	45,394,091	46,092,299	1,101,544	1,086,372	46,495,635	47,178,671
Restricted	12,743,368	9,369,215	-	-	12,743,368	9,369,215
Unrestricted	14,907,097	15,784,890	397,683	338,460	15,304,780	16,123,350
Total Net Assets	**$ 73,044,556**	**$ 71,246,404**	**$ 1,499,227**	**$ 1,424,832**	**$ 74,543,783**	**$ 72,671,236**

The $15,304,780 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 $89,978,770 and total expenses were $88,106,223. Table 2 presents total revenues and total expenses for governmental activities and business-type activities by category.

See Table 2 next page

Table 2

	Governmental Activities		Business-Type Activities		School District Activities	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	$ 1,184,100	$ 1,136,942	$ 2,040,129	$ 2,110,191	$ 3,224,229	$ 3,247,133
Operating grants and contributions	20,252,183	19,847,194	885,090	774,809	21,137,273	20,622,003
Capital grants and contributions	55,261	108,518	-	-	55,261	108,518
General revenues:						
Federal and State aid not restricted	24,046,978	25,189,532	-	-	24,046,978	25,189,532
Property taxes	27,081,394	25,698,839	-	-	27,081,394	25,698,839
Other State revenues	6,189,735	6,753,615	-	-	6,189,735	6,753,615
Other general revenues	8,220,166	8,742,189	23,734	51,111	8,243,900	8,793,300
Total Revenues	**87,029,817**	**87,476,829**	**2,948,953**	**2,936,111**	**89,978,770**	**90,412,940**
Expenses						
Instruction-related	62,661,185	60,805,046	2,874,558	2,760,946	65,535,743	63,565,992
Student support services	7,054,371	6,559,078	-	-	7,054,371	6,559,078
Administration	4,103,324	4,412,663	-	-	4,103,324	4,412,663
Maintenance, operations and facilities	8,005,438	7,398,459	-	-	8,005,438	7,398,459
Other	3,407,347	3,106,603	-	-	3,407,347	3,106,603
Total Expenses	**85,231,665**	**82,281,849**	**2,874,558**	**2,760,946**	**88,106,223**	**85,042,795**
Change in Net Assets	**$ 1,798,152**	**$ 5,194,980**	**$ 74,395**	**$ 175,165**	**$ 1,872,547**	**$ 5,370,145**

Property taxes and State formula aid accounted for 59 percent of the District's revenue. Another 30.4 percent came from State and Federal aid for specific programs, and the remainder from fees charged for services and miscellaneous sources.

The District's expenses are predominately related to educating and caring for students (82.4 percent). The purely administrative activities of the District accounted for 4.7 percent of total costs. Total revenues surpassed expenses, increasing net assets by $1,872,547 over last year.

Governmental Activities

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

The cost of all governmental activities this year was $85,231,665.

- Some of the cost ($1,184,100) was financed by the users of the District's programs.
- The Federal and State governments subsidized certain programs with grants and contributions ($20,252,183).
- Most of the District's costs ($57,318,107), 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 Statewide education aid formula, other State funding, investment earnings and miscellaneous revenues.

Table 3

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction-related activities	$ 62,661,185	$ 60,805,046	$ 46,930,778	$ 45,009,547
Student support services	7,054,371	6,559,078	2,827,600	2,479,536
Administration	4,103,324	4,412,663	3,477,834	3,731,368
Plant services	8,005,438	7,398,459	7,291,721	7,066,313
Other	3,407,347	3,106,603	3,212,188	2,902,431
Total	**$ 85,231,665**	**$ 82,281,849**	**$ 63,740,121**	**$ 61,189,195**

Business-Type Activities

Revenues of the District's business-type activities were $2,948,953 and expenses were $2,874,558.

Fund Financial Statements

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

The District has three kinds of funds:

Governmental funds — Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statement that explain 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 2007-08, the General Fund had revenues of $79,489,275 and expenses of $79,084,324. After factoring in transfers and other uses, the General Fund balance increased $676,764 or less 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 $28,285,890.

Proprietary Funds

The Child Care Fund had an increase in net assets of $74,395 to equal a balance of $1,499,227 during the 2007-08 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 $348,867 consisting of $300,365 in bank deposits and $48,502 in stores inventories, with liabilities of $348,867 due to student groups.

Table 4

	Fund Balance June 30, 2008
General Fund	$ 11,786,190
Special Reserve Capital Outlay Fund	9,901,108
Cafeteria Fund	606,534
Deferred Maintenance Fund	2,188,253
Special Reserve Non-Capital Fund	8,972
Capital Facilities Fund	1,211,149
County School Facilities Fund	2,136,574
Debt Service Fund	447,110
Total	**$ 28,285,890**

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.

While the District's estimated budget for the General Fund anticipated that revenues and expenditures would result in a General Fund ending balance of $10,520,711, the actual ending balance was $1,265,479 higher at $11,786,190. 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 added a modular building at Oak View Preschool to the inventory in 2007-08 for a cost of $153,968. The parking lot at the same preschool was completed at a cost of $113,301.

Long-Term Obligations

At year-end, the District had $9,041,764 in long-term obligations outstanding — a reduction of 5.1 percent from last year — as shown in Table 5.

Table 5

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Certificates of participation	$ 8,190,000	$ 8,610,000	$ -	$ -	$ 8,190,000	$ 8,610,000
Capitalized lease obligations	46,966	69,017	296,000	208,000	342,966	277,017
Compensated absences	508,798	635,242	-	-	508,798	635,242
Total	**$ 8,745,764**	**$ 9,314,259**	**$ 296,000**	**$ 208,000**	**$ 9,041,764**	**$ 9,522,259**

- The District continued to pay down its debt, retiring $494,051 of the 2002 COP and capital leases.
- The liability for compensated absences decreased by $126,444.
- The only new debt issued in 2007-08 was a capital lease for a portable building used in the Child Care Program for $140,000.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Ocean View School District's enrollment, like many other districts in California, continued to decline in 2007-08. However, as the 2008-09 school year begins, there has been a modest increase. The fluctuation in enrollment impacts the District's revenue. The District continues to make expenditure adjustments to assist in compensating for the loss in revenue and will continue to maintain a reserve level above the minimum level required.

As of December 2008, the global, national and State economies have faced major reductions. In particular, tax receipts that fund many public school activities have been affected. Major 2008-09 mid-year budget cuts are now expected to be imposed on the District affecting the originally adopted 2008-09 budget based on proclamation of the governor six months after the fiscal year has begun. The District will be revising the budget during the fiscal year adjustment reports (1st and 2nd Interims) to incorporate these major mid-year changes which may result in drastic variation by year's end from the originally adopted budget for fiscal year 2008-09.

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, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 25,846,815	$ 782,599	$ 26,629,414
Receivables	6,860,615	168,120	7,028,735
Internal balances	146,389	(146,389)	-
Stores inventories	118,798	-	118,798
Other current assets	-	-	-
Total Current Assets	32,972,617	804,330	33,776,947
Capital assets			
Land and construction in process	17,711,620	165,000	17,876,620
Other capital assets	75,657,979	1,506,787	77,164,766
Less: Accumulated depreciation	(39,738,542)	(274,243)	(40,012,785)
Total Capital Assets	53,631,057	1,397,544	55,028,601
Total Assets	86,603,674	2,201,874	88,805,548
LIABILITIES			
Accounts payable	4,250,986	288,810	4,539,796
Accrued interest	126,627	-	126,627
Deferred revenue	435,741	117,837	553,578
Long-term obligations:			
Current portion of long-term obligations	457,992	66,000	523,992
Noncurrent portion of long-term obligations	8,287,772	230,000	8,517,772
Total Liabilities	13,559,118	702,647	14,261,765
NET ASSETS			
Invested in capital assets, net of related debt	45,394,091	1,101,544	46,495,635
Restricted for:			
Debt service	320,483	-	320,483
Capital projects	3,347,723	-	3,347,723
Educational programs	6,280,375	-	6,280,375
Other activities	2,794,787	-	2,794,787
Unrestricted	14,907,097	397,683	15,304,780
Total Net Assets	$ 73,044,556	$ 1,499,227	$ 74,543,783

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

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 54,967,523	$ -	$ 12,800,022	$ 55,261
Instruction-related activities:				
Supervision of instruction	2,544,638	-	2,228,668	-
Instructional library, media, and technology	683,798	-	603,729	-
School site administration	4,465,226	-	42,727	-
Pupil services:				
Home-to-school transportation	2,221,209	11,841	1,054,262	-
Food services	2,450,568	1,120,247	1,274,247	-
All other pupil services	2,382,594	-	766,174	-
General administration:				
Data processing	475,894	-	-	-
All other general administration	3,627,430	52,012	573,478	-
Plant services	8,005,438	-	713,717	-
Ancillary services	54,932	-	-	-
Community services	126,434	-	126,494	-
Interest on long-term obligations	393,635	-	-	-
Other outgo	130,558	-	68,665	-
Depreciation (unallocated) [1]	2,701,788	-	-	-
Total Governmental Activities	85,231,665	1,184,100	20,252,183	55,261
Business-Type Activities:				
Child care services	2,874,558	2,040,129	885,090	-
Total Business-Type Activities	2,874,558	2,040,129	885,090	-
Total School District	$ 88,106,223	$ 3,224,229	$ 21,137,273	$ 55,261
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				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (42,112,240)	$ -	$ (42,112,240)
(315,970)	-	(315,970)
(80,069)	-	(80,069)
(4,422,499)	-	(4,422,499)
(1,155,106)	-	(1,155,106)
(56,074)	-	(56,074)
(1,616,420)	-	(1,616,420)
(475,894)	-	(475,894)
(3,001,940)	-	(3,001,940)
(7,291,721)	-	(7,291,721)
(54,932)	-	(54,932)
60	-	60
(393,635)	-	(393,635)
(61,893)	-	(61,893)
(2,701,788)	-	(2,701,788)
(63,740,121)	-	(63,740,121)
-	50,661	50,661
-	50,661	50,661
(63,740,121)	50,661	(63,689,460)
26,853,845	-	26,853,845
227,549	-	227,549
24,046,978	-	24,046,978
6,189,735	-	6,189,735
1,314,305	23,734	1,338,039
6,905,861	-	6,905,861
65,538,273	23,734	65,562,007
1,798,152	74,395	1,872,547
71,246,404	1,424,832	72,671,236
$ 73,044,556	$ 1,499,227	$ 74,543,783

OCEAN VIEW SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 8,942,809	$ 10,297,256	$ 6,606,750	$ 25,846,815
Receivables	6,526,864	52,309	281,442	6,860,615
Due from other funds	273,108	-	-	273,108
Stores inventories	108,834	-	9,964	118,798
Total Assets	$ 15,851,615	$ 10,349,565	$ 6,898,156	$ 33,099,336
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 3,965,455	$ 101,044	$ 184,487	$ 4,250,986
Due to other funds	3,286	8,356	115,077	126,719
Deferred revenue	96,684	339,057	-	435,741
Total Liabilities	4,065,425	448,457	299,564	4,813,446
FUND BALANCES				
Reserved for:				
Revolving cash	50,000	-	1,000	51,000
Stores inventories	108,834	-	9,964	118,798
Legally restricted balance	6,280,375	-	-	6,280,375
Unreserved:				
Designated	5,346,981	9,901,108	6,140,518	21,388,607
Undesignated, reported in:				
Debt service funds	-	-	447,110	447,110
Total Fund Balance	11,786,190	9,901,108	6,598,592	28,285,890
Total Liabilities and Fund Balances	$ 15,851,615	$ 10,349,565	$ 6,898,156	$ 33,099,336

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, 2008

Total Fund Balance - Governmental Funds		**$ 28,285,890**
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:	$ 93,369,599	
Accumulated depreciation is:	(39,738,542)	
Net Capital Assets		53,631,057
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.		(126,627)
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	(8,190,000)	
Compensated absences	(508,798)	
Capital lease obligations	(46,966)	
Total Long-Term Obligations		(8,745,764)
Total Net Assets - Governmental Activities		**$ 73,044,556**

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, 2008

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	$ 51,360,161	$ -	$ -	$ 51,360,161
Federal sources	4,179,679	-	1,255,104	5,434,783
Other State sources	15,386,686	8,297	486,394	15,881,377
Other local sources	8,562,749	3,009,625	2,000,162	13,572,536
Total Revenues	79,489,275	3,017,922	3,741,660	86,248,857
EXPENDITURES				
Current				
Instruction	55,019,034	-	-	55,019,034
Instruction-related activities:				
Supervision of instruction	2,525,131	-	-	2,525,131
Instructional library, media, and technology	680,658	-	-	680,658
School site administration	4,464,571	-	-	4,464,571
Pupil services:				
Home-to-school transportation	2,497,403	-	-	2,497,403
Food services	-	-	2,494,239	2,494,239
All other pupil services	2,382,594	-	-	2,382,594
General administration:				
Data processing	499,984	-	-	499,984
All other general administration	3,541,570	-	127,700	3,669,270
Plant services	6,987,814	883,242	264,555	8,135,611
Facility acquisition and construction	147,865	135,911	77,889	361,665
Ancillary services	54,932	-	-	54,932
Community services	127,605	-	-	127,605
Other outgo	130,558	-	-	130,558
Debt service				
Principal	22,051	-	420,000	442,051
Interest and other	2,554	-	396,681	399,235
Total Expenditures	79,084,324	1,019,153	3,781,064	83,884,541
Excess (Deficiency) of Revenues Over Expenditures	404,951	1,998,769	(39,404)	2,364,316
Other Financing Sources (Uses)				
Transfers in	686,813	-	2,086,983	2,773,796
Transfers out	(415,000)	(2,358,796)	-	(2,773,796)
Net Financing Sources (Uses)	271,813	(2,358,796)	2,086,983	-
NET CHANGE IN FUND BALANCES	676,764	(360,027)	2,047,579	2,364,316
Fund Balance - Beginning	11,109,426	10,261,135	4,551,013	25,921,574
Fund Balance - Ending	$ 11,786,190	$ 9,901,108	$ 6,598,592	$ 28,285,890

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, 2008

Total Net Change in Fund Balances - Governmental Funds		**$ 2,364,316**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which depreciation exceeds capital outlay in the period.		
Capital outlays	$ 1,561,529	
Depreciation expense	(2,701,788)	
Net Expense Adjustment		(1,140,259)
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 used was more than the amounts earned by $126,444.		126,444
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:		
Certificates of participation		420,000
Capital lease obligations		22,051
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 $5,600.		5,600
Change in Net Assets of Governmental Activities		**$ 1,798,152**

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, 2008

	Business-Type Activities
	Child Care
ASSETS	
Current Assets	
Deposits and investments	$ 782,599
Receivables	168,120
Due from other funds	6,249
Total Current Assets	956,968
Noncurrent Assets	
Capital assets	1,671,787
Less: accumulated depreciation	(274,243)
Total Noncurrent Assets	1,397,544
Total Assets	2,354,512
LIABILITIES	
Current Liabilities	
Accounts payable	288,810
Due to other funds	152,638
Deferred revenue	117,837
Current portion of long-term obligations	66,000
Total Current Liabilities	625,285
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	230,000
NET ASSETS	
Invested in capital assets, net of related debt	1,101,544
Unrestricted	397,683
Total Net Assets	$ 1,499,227

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, 2008

	Business-Type Activities
	Child Care
OPERATING REVENUES	
Charges for services	$ 2,040,129
OPERATING EXPENSES	
Payroll costs	2,420,591
Professional and contract services	100,179
Supplies and materials	141,990
Facility rental	2,566
Other operating costs	147,404
Depreciation	61,828
Total Operating Expenses	2,874,558
Operating Loss	(834,429)
NONOPERATING REVENUES	
Interest income	23,734
Grants	885,090
Total Nonoperating Revenues	908,824
Change in Net Assets	74,395
Total Net Assets - Beginning	1,424,832
Total Net Assets - Ending	$ 1,499,227

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, 2008

	Business-Type Activities
	Child Care
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 2,046,177
Cash payments to suppliers of goods or services	(258,590)
Cash payments to employees for services	(2,420,346)
Other operating cash payments	(149,970)
Net Cash Used by Operating Activities	(782,729)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	883,240
Net Cash Provided by Non-Capital Financing Activities	883,240
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(25,000)
Principal paid on capital debt	(52,000)
Net Cash Used by Capital and Related Financing Activities	(77,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	23,734
Net Cash Provided by Investing Activities	23,734
Net Increase in Cash and Cash Equivalents	47,245
Cash and Cash Equivalents - Beginning	735,354
Cash and Cash Equivalents - Ending	$ 782,599
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	$ (834,429)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	61,828
Changes in assets and liabilities:	
Accounts receivable	967
Due from other funds	(312)
Accounts payable	(10,261)
Due to other funds	(5,915)
Deferred revenue	5,393
NET CASH USED BY OPERATING ACTIVITIES	$ (782,729)

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

OCEAN VIEW SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Agency Funds Student Funds
ASSETS	
Deposits and investments	$ 300,365
Stores inventories	48,502
Total Assets	$ 348,867
LIABILITIES	
Due to student groups	$ 348,867
Total Liabilities	$ 348,867

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Ocean View School District (the District) was organized in 1874 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades kindergarten through eight as mandated by the State and Federal agencies. The District operates eleven elementary and four middle schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Ocean View School District, this includes general operations, child care operations, food service, and student related activities of the District.

Component Units

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

The District and the Ocean View School District Facilities Corporation (the Corporation), as represented by the 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.

Other Related Entities

Joint Powers Agencies and Public Entity Risk Pools The District is associated with three public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. These organizations are:

Southern Orange County Property/Liability Joint Powers Authority
Western Orange County Self-Funded Workers' Compensation Agency
Orange County Fringe Benefits Joint Powers Authority

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 *(Education Code* Section 17070 et seq.).

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. 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. 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.

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. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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.

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.

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 $12,743,368 of restricted net assets.

Operating Revenues and Expenses

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

Interfund Activity

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

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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

New Accounting Pronouncements

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require 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 establishes 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.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides 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 will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45 [GASB Statement No. 45 is effective in three phases, with implementation required for Phase 1 governments in periods beginning after December 15, 2006.] For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASB Statement No. 47 is encouraged.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	$	25,846,815
Business-type activities		782,599
Fiduciary funds		300,365
Total Deposits and Investments	$	26,929,779

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	$	312,339
Cash in revolving		51,000
Investments		26,566,440
Total Deposits and Investments	$	26,929,779

Policies and Practices

The District is authorized under California Government Code and the Entity's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements (if such transactions are matched to maturity); medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the county pool and money market funds.

Specific Identification

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

Investment Type	Fair Value	Maturity Date/ Average Maturity in Days
First American Treasury Obligations Money Market Mutual Funds	$ 12,504	45 days
Investment Agreement	434,607	3/1/2022
County Pool	26,106,830	209 days
Total	$ 26,553,941	

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	$ 12,504	$ 12,504	$ -
Investment Agreement	X	434,607	-	434,607
County Pool	X	26,106,830	26,106,830	-
Total		$ 26,553,941	$ 26,119,334	$ 434,607

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 agencies. 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, 2008, the District's bank balance of $149,050 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.

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, 2008, 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	$ 1,757,116	$ -	$ 208,171	$ 1,965,287	$ -
State Government					
Apportionment	2,350,539	-	-	2,350,539	68,189
Categorical aid	438,169	-	18,374	456,543	-
Lottery	593,381	-	-	593,381	-
Other State	-	-	-	-	56,000
Local Government					
Due from SELPA	816,321	-	-	816,321	-
Interest	32,456	26,328	13,030	71,814	1,772
Other Local Sources	538,882	25,981	41,867	606,730	42,159
Total	$ 6,526,864	$ 52,309	$ 281,442	$ 6,860,615	$ 168,120

All receivables are expected to be collected within one year.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 10,554,104	$ -	$ -	$ 10,554,104
Construction in process	6,987,860	177,276	7,620	7,157,516
Total Capital Assets Not Being Depreciated	17,541,964	177,276	7,620	17,711,620
Capital Assets Being Depreciated				
Land improvements	6,378,757	5,413	-	6,384,170
Buildings and improvements	57,173,172	31,092	-	57,204,264
Furniture and equipment	10,714,177	1,355,368	-	12,069,545
Total Capital Assets Being Depreciated	74,266,106	1,391,873	-	75,657,979
Less Accumulated Depreciation				
Land improvements	5,738,126	175,783	-	5,913,909
Buildings and improvements	23,235,864	1,673,530	-	24,909,394
Furniture and equipment	8,062,764	852,475	-	8,915,239
Total Accumulated Depreciation	37,036,754	2,701,788	-	39,738,542
Governmental Activities Capital Assets, Net	$ 54,771,316	$ (1,132,639)	$ 7,620	$ 53,631,057
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	-	-	1,497,056
Furniture and equipment	9,731	-	-	9,731
Total Capital Assets Being Depreciated	1,506,787	-	-	1,506,787
Less Accumulated Depreciation				
Buildings and improvements	208,685	59,882	-	268,567
Furniture and equipment	3,730	1,946	-	5,676
Total Accumulated Depreciation	212,415	61,828	-	274,243
Business-Type Activities Capital Assets, Net	$ 1,294,372	$ 103,172	$ -	$ 1,397,544

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

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts due for cost allocation or to cover another fund's operating deficit. Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, and non-major enterprise funds are as follows:

	Due From				
Due To	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Child Care Enterprise Fund	Total
General Fund	$ -	$ 5,393	$ 115,077	$ 152,638	$ 273,108
Child Care Enterprise Fund	3,286	2,963	-	-	6,249
Total	$ 3,286	$ 8,356	$ 115,077	$ 152,638	$ 279,357

The balance of $115,077 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 $152,638 due to the General Fund from the Child Care Enterprise Fund resulted from indirect and payroll related costs paid by the General Fund but incurred by the Child Care Enterprise. All remaining balances are for the reimbursement of program expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

	Transfer From		
Transfer To	General Fund	Special Reserve Capital Outlay Fund	Total
General Fund	$ -	$ 686,813	$ 686,813
Non-Major Governmental Funds	415,000	1,671,983	2,086,983
Total	$ 415,000	$ 2,358,796	$ 2,773,796

The Special Reserve Capital Outlay Fund transferred to the General Fund for a portion of the deferred maintenance match.	$ 415,000
The Special Reserve Capital Outlay Fund transferred to the General Fund for the purchase of school buses.	271,813
The Special Reserve Capital Outlay Fund transferred to the COP Debt Service Fund for the debt service payments.	791,983
The Special Reserve Capital Outlay Fund transferred to the County School Facilities Fund for modernization.	880,000
The General Fund transferred to the Deferred Maintenance Fund for the State match.	415,000
Total	$ 2,773,796

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, 2008, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise
Salaries and benefits	$ 3,003,483	$ -	$ 116,560	$ 3,120,043	$ 233,989
Materials and supplies	72,866	-	14,578	87,444	-
Services and other operating	517,299	35,285	3,447	556,031	-
Construction	10,589	65,759	29,450	105,798	52,000
State categorical programs	66,402	-	-	66,402	-
State apportionment	170,308	-	-	170,308	-
Other vendor payables	124,508	-	20,452	144,960	2,821
Total	$ 3,965,455	$ 101,044	$ 184,487	$ 4,250,986	$ 288,810

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total Governmental Activities	Child Care Enterprise
Federal financial assistance	$ 13,276	$ -	$ 13,276	$ -
State categorical aid	50,294	-	50,294	-
Other local	33,114	339,057	372,171	117,837
Total	$ 96,684	$ 339,057	$ 435,741	$ 117,837

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

Governmental Activities

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
Certificates of participation	$ 8,610,000	$ -	$ 420,000	$ 8,190,000	$ 435,000
Compensated absences	635,242	-	126,444	508,798	-
Capital leases	69,017	-	22,051	46,966	22,992
	$ 9,314,259	$ -	$ 568,495	$ 8,745,764	$ 457,992

Business-Type Activities

Capital leases	$ 208,000	$ 140,000	$ 52,000	$ 296,000	$ 66,000

Payments for the Certificates of Participation are made by the Debt Service Fund. Capital leases for District equipment and portable buildings are paid by the General Fund, and capital leases for portable buildings used in the Child Care Program are paid by the Child Care Enterprise Fund. The accrued vacation will be paid by the fund for which the employee worked.

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, 2008, the principal balance outstanding was $8,190,000.

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

Year Ending June 30,	Principal	Interest	Total
2009	$ 435,000	$ 379,881	$ 814,881
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
2014-2018	2,930,000	1,157,876	4,087,876
2019-2022	2,895,000	373,336	3,268,336
	$ 8,190,000	$ 3,248,201	$ 11,438,201

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2008, amounted to $508,798.

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

Governmental Activities

	Equipment
Balance, Beginning of Year	$ 73,815
Payments	(24,605)
Balance, End of Year	$ 49,210

Business-Type Activities

	Modulars
Balance, Beginning of Year	$ 208,000
Additions	140,000
Payments	(52,000)
Balance, End of Year	$ 296,000

The capital leases have minimum lease payments as follows:

Governmental Activities

Year Ending June 30,	Lease Payment
2009	$ 24,605
2010	24,605
Total	49,210
Less: Amount Representing Interest	2,244
Present Value of Minimum Lease Payments	$ 46,966

Business-Type Activities

Year Ending June 30,	Lease Payment
2009	$ 66,000
2010	66,000
2011	66,000
2012	14,000
2013	14,000
2014-2018	70,000
Total	$ 296,000

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	108,834	-	9,964	118,798
Restricted programs	6,280,375	-	-	6,280,375
Total Reserved	6,439,209	-	10,964	6,450,173
Unreserved				
Designated				
Economic uncertainties	2,332,176	-	150,000	2,482,176
Site carryover	537,502	-	-	537,502
GASB 45	100,000	-	-	100,000
Health benefits pool	203,829	-	-	203,829
Emergency reserve	2,173,474	-	-	2,173,474
Other designations	-	9,901,108	5,990,518	15,891,626
Total Designated	5,346,981	9,901,108	6,140,518	21,388,607
Undesignated, reported in:				
Debt service funds	-	-	447,110	447,110
Total Unreserved	5,346,981	9,901,108	6,587,628	21,835,717
Total	$ 11,786,190	$ 9,901,108	$ 6,598,592	$ 28,285,890

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2008, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual*	Excess
General Fund	$ 77,933,947	$ 79,084,324	$ 1,150,377

* Total actual expenditures include on-behalf payments of $1,760,135.

NOTE 11 - LEASE REVENUES

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

Year Ending June 30,	Lease Revenue
2009	$ 2,013,397
2010	2,029,443
2011	2,029,443
2012	1,221,304
2013	1,034,294
2014-2018	4,881,546
2019-2023	4,880,940
2024-2028	2,984,938
2029-2033	2,753,125
2034-2038	2,862,500
Thereafter	20,486,875
Total	$ 47,177,805

NOTE 12 - RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. Employee health programs are administered through the purchase of commercial insurance. The District participates in the Orange County public entity risk pools (JPA's) for the workers' compensation program, property and liability program, and dental 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 contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits 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, CA 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 2007-2008 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, 2008, 2007, and 2006, were $3,280,630, $3,238,462, and $3,074,423, 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 death 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, CA 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 2007-2008 was 9.306 percent of annual 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, 2008, 2007, and 2006 were $1,444,132, $1,325,153, and $1,212,511, respectively, and equal 100 percent of the required contributions for each year.

Tax Deferred Annuity/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,760,135 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. 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 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, 2008.

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, 2008.

Other Postemployment Benefits

The District provides supplementary retirement benefits for eligible District employees. To be eligible for the program, the employee must:

Retire under the CalSTRS/CalPERS retirement program;
Have attained a minimum age of 50 years as required by CalSTRS/CalPERS, and;
Have been a management or confidential employee at the District for a minimum of ten years.

Currently, 11 employees have already retired under the program, and one employee may be eligible for the program in the future.

During 1995, the program was discontinued for employees who were not already retired under the program. At that time, the District negotiated a buy-out of 28 management employees who waived their rights under this plan. Under the buy-out agreement, employees were offered an additional allowance to be used towards postemployment health care expenses incurred by the employee that were not covered by District insurance. Currently, five management retirees are receiving benefits under the buy-out agreement.

The District currently provides postemployment health and welfare benefits to certificated and classified employees who meet the following:

Retire under the CalSTRS/CalPERS retirement program;
Have attained a minimum age of 55 years for certificated/management/confidential employees and a minimum age of 60 years for classified employees; and
Have ten consecutive years of service with the District

Benefits will be provided until the retiree reaches 65 years of age. Currently, 94 employees are receiving benefits under the plan. The District paid $574,792 for all postemployment benefit plans as just described during the year ended June 30, 2008.

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 Orange County Fringe Benefits Joint Powers Authority public entity risk pools. The District pays an annual premium to each entity for its property/liability, workers' compensation, and dental coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2008, the District made payments of $417,903, $826,038 and $867,515 to Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency and Orange County Fringe Benefits Joint Powers Authority, respectively, for annual premium payments.

REQUIRED SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$51,362,651	$51,375,466	$ 51,360,161	$ (15,305)
Federal sources	4,135,056	4,119,014	4,179,679	60,665
Other State sources	13,095,663	13,357,071	15,386,686	2,029,615
Other local sources	6,870,032	8,221,868	8,562,749	340,881
Total Revenues [1]	75,463,402	77,073,419	79,489,275	2,415,856
EXPENDITURES				
Current				
Instruction	52,482,421	53,348,611	55,019,034	(1,670,423)
Instruction-related activities:				
Supervision of instruction	2,638,798	2,582,550	2,525,131	57,419
Instructional library, media, and technology	740,425	754,825	680,658	74,167
School site administration	4,283,384	4,491,584	4,464,571	27,013
Pupil services:				
Home-to-school transportation	2,046,743	2,432,477	2,497,403	(64,926)
All other pupil services	2,198,746	2,396,672	2,382,594	14,078
General administration:				
Data processing	474,804	555,683	499,984	55,699
All other general administration	3,972,708	3,748,558	3,541,570	206,988
Plant services	7,213,493	7,123,280	6,987,814	135,466
Facility acquisition and construction	2,575	176,920	147,865	29,055
Ancillary services	51,216	3,400	54,932	(51,532)
Community services	117,539	125,515	127,605	(2,090)
Other outgo	162,500	169,266	130,558	38,708
Debt service				
Principal and interest	24,606	24,606	24,605	1
Total Expenditures [1]	76,409,958	77,933,947	79,084,324	(1,150,377)
Excess (Deficiency) of Revenues Over Expenditures	(946,556)	(860,528)	404,951	1,265,479
Other Financing Sources (Uses)				
Transfers in	415,000	686,813	686,813	-
Transfers out	(415,000)	(415,000)	(415,000)	-
Net Financing Sources (Uses)	-	271,813	271,813	-
NET CHANGE IN FUND BALANCES	(946,556)	(588,715)	676,764	1,265,479
Fund Balance - Beginning	11,109,426	11,109,426	11,109,426	-
Fund Balance - Ending	$10,162,870	$10,520,711	$ 11,786,190	$ 1,265,479

[1] On behalf payments of $1,760,135 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
21st Century Community Learning Centers - Family Literacy	84.287	[1]	$ 22,562
Indian Education	84.060A	[1]	114,340
Passed through from Huntington Beach Union High School District:			
Adult Education Center Program	84.002	14508	80,204
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	1,241,532
Title I, Part B - Even Start Family Literacy Program	84.213	14331	120,750
Title I - Even Start Technical Assistance	84.213	14381	23,332
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	344,259
Title II, Part D - CTAP Administration of Education Technology Through Technology	84.318	14335	12,285
Title III - Limited English Proficient Student Program	84.365	10084	335,926
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	14347	31,029
Title V, Part A - Innovative Education Strategies	84.298	14354	2,280
Passed through from West Orange County Consortium for Special Education:			
Individuals with Disabilities Education Act (IDEA)			
Preschool Grants, Part B	84.173	13430	79,550
Local Assistance Entitlement, Part B	84.027	13379	1,493,628
Preschool Local Entitlement, Part B	84.027A	13682	179,308
State Improvement Grant, Improving Special Ed Systems	84.372	14577	55,775
Total U.S. Department of Education			4,136,760
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	1,063,756
Especially Needy Breakfast	10.553	13390	114,371
Meals Supplements	10.555	13755	27,927
Commodities	10.555	[1]	49,050
Total U.S. Department of Agriculture			1,255,104
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES			
Passed through CDE:			
LEA Medi-Cal Billing Option	93.778	10013	157,685
Passed through from Orange County Department of Education:			
Medi-cal Administrative Activities	93.778	10060	80,741
Total U.S. Department of Health and Human Services			238,426
Total Expenditures of Federal Awards			$ 5,630,290

[1] Direct-funded; no PCA number

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2008

ORGANIZATION

The Ocean View School District was established in 1874, serving grades kindergarten through eighth. The District operates 11 elementary schools and four middle schools. The District occupies the northern regions of Huntington Beach and small segments of Westminster, Midway City, and Fountain Valley. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ms. Debbie Cotton	President	2008
Mr. Norm Westwell	Clerk	2008
Mr. John Briscoe	Member	2010
Mr. George Clemens	Member	2010
Ms. Tracy Pellman	Member	2010

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, 2008

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,120	1,121
First through third	2,759	2,764
Fourth through sixth	2,973	2,979
Seventh and eighth	2,018	2,018
Special education	238	241
Total Elementary	9,108	9,123

	Hours of Attendance
SUMMER SCHOOL	
K-8	64,920

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	35,200	36,000	36,000	180	-	Complied
Grades 1 - 3	48,911	50,400				
Grade 1			50,400	180	-	Complied
Grade 2			50,400	180	-	Complied
Grade 3			50,400	180	-	Complied
Grades 4 - 5	57,967	54,000				
Grade 4			57,984	180	-	Complied
Grade 5			57,984	180	-	Complied
Grades 6 - 8	57,967	54,000				
Grade 6			58,100	180	-	Complied
Grade 7			58,100	180	-	Complied
Grade 8			58,100	180	-	Complied

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 [1]	2008	2007	2006
GENERAL FUND				
Revenues	$ 76,042,178	$ 79,489,275	$ 80,689,171	$ 74,255,693
Other sources and transfers in	422,000	686,813	465,000	425,446
Total Revenues and Other Sources	76,464,178	80,176,088	81,154,171	74,681,139
Expenditures	77,146,056	79,084,324	76,989,541	72,023,960
Other uses and transfers out	422,000	415,000	315,000	315,000
Total Expenditures and Other Uses	77,568,056	79,499,324	77,304,541	72,338,960
INCREASE (DECREASE) IN FUND BALANCE	$ (1,103,878)	$ 676,764	$ 3,849,630	$ 2,342,179
ENDING FUND BALANCE	$ 10,682,312	$ 11,786,190	$ 11,109,426	$ 7,259,796
AVAILABLE RESERVES [2]	$ 2,327,042	$ 2,332,176	$ 3,903,740	$ 3,092,455
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.00%	3.00%	5.17%	4.38%
LONG-TERM OBLIGATIONS	N/A	$ 9,041,764	$ 9,522,259	$ 10,121,903
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,032	9,108	9,205	9,553

The General Fund balance has increased by $4,526,394 over the past two years. The fiscal year 2008-2009 budget projects a decrease of $1,103,878 (9.4 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 2008-2009 fiscal year. Total long-term obligations have decreased by $1,080,139 over the past two years.

Average daily attendance has decreased by 445 over the past two years. Additional decline of 76 ADA is anticipated during fiscal year 2008-2009.

[1] Budget 2009 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 $1,760,135, $1,771,866, and $1,683,639 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, 2007 and 2006, respectively.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

EXCESS SICK LEAVE
JUNE 30, 2008

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Ocean View School District does not provide more than 12 sick leave days in a school year to administrators who are CalSTRS members.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2008

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.

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.

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.

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers' Retirement System (CalSTRS).

SUPPLEMENTARY INFORMATION - UNAUDITED

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
ASSETS			
Deposits and investments	$ 643,156	$ 2,204,432	$ 8,951
Receivables	229,625	5,300	21
Stores inventories	9,964	-	-
Total Assets	$ 882,745	$ 2,209,732	$ 8,972
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 161,134	$ 21,479	$ -
Due to other funds	115,077	-	-
Total Liabilities	276,211	21,479	-
Fund Balances:			
Reserved for:			
Revolving cash	1,000	-	-
Stores inventories	9,964	-	-
Unreserved:			
Designated	595,570	2,188,253	8,972
Undesignated, reported in:			
Debt service funds	-	-	-
Total Fund Balances	606,534	2,188,253	8,972
Total Liabilities and Fund Balances	$ 882,745	$ 2,209,732	$ 8,972

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ 1,169,842	$ 2,133,259	$ 447,110	$ 6,606,750
43,060	3,436	-	281,442
-	-	-	9,964
$ 1,212,902	$ 2,136,695	$ 447,110	$ 6,898,156
$ 1,753	$ 121	$ -	$ 184,487
-	-	-	115,077
1,753	121	-	299,564
-	-	-	1,000
-	-	-	9,964
1,211,149	2,136,574	-	6,140,518
-	-	447,110	447,110
1,211,149	2,136,574	447,110	6,598,592
$ 1,212,902	$ 2,136,695	$ 447,110	$ 6,898,156

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
REVENUES			
Federal sources	$ 1,255,104	$ -	$ -
Other State sources	101,424	384,970	-
Other local sources	1,198,192	75,290	377
Total Revenues	2,554,720	460,260	377
EXPENDITURES			
Current			
Food services	2,494,239	-	-
General administration:			
All other general administration	113,457	-	-
Plant services	-	263,264	-
Facility acquisition and construction	-	31,831	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,607,696	295,095	-
Excess (Deficiency) of Revenues Over Expenditures	(52,976)	165,165	377
Other Financing Sources			
Transfers in	-	415,000	-
Net Financing Sources	-	415,000	-
NET CHANGE IN FUND BALANCES	(52,976)	580,165	377
Fund Balance - Beginning	659,510	1,608,088	8,595
Fund Balance - Ending	$ 606,534	$ 2,188,253	$ 8,972

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 1,255,104
-	-	-	486,394
647,002	55,261	24,040	2,000,162
647,002	55,261	24,040	3,741,660
-	-	-	2,494,239
14,243	-	-	127,700
-	1,291	-	264,555
-	46,058	-	77,889
-	-	420,000	420,000
-	-	396,681	396,681
14,243	47,349	816,681	3,781,064
632,759	7,912	(792,641)	(39,404)
-	880,000	791,983	2,086,983
-	880,000	791,983	2,086,983
632,759	887,912	(658)	2,047,579
578,390	1,248,662	447,768	4,551,013
$ 1,211,149	$ 2,136,574	$ 447,110	$ 6,598,592

OCEAN VIEW SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008

(Amounts in thousands, excluding Revenue Limit Per ADA)	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 4,180	5.3	$ 4,712	5.8	$ 5,257	7.1
State and local revenue included in revenue limit	51,360	64.6	51,204	63.5	48,125	64.8
Other State revenue	15,387	19.3	16,649	20.6	13,657	18.4
Other local revenue	2,869	3.6	2,507	3.1	2,036	2.7
Tuition and transfers in	5,693	7.2	5,617	7.0	5,182	7.0
Total Revenues	79,489	100.0	80,689	100.0	74,257	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	40,262	50.7	39,777	49.3	37,633	50.7
Classified salaries	14,735	18.5	13,558	16.8	12,390	16.7
Employee benefits	14,731	18.5	14,151	17.5	13,652	18.4
Total Salaries and Benefits	69,728	87.7	67,486	83.6	63,675	85.8
Books and supplies	2,989	3.8	3,457	4.3	2,933	3.9
Services and operating expenses	5,930	7.5	5,688	7.0	4,860	6.5
Capital outlay	543	0.7	206	0.3	161	0.2
Other outgo	(131)	(0.2)	(120)	(0.1)	71	0.1
Debt service	25	-	273	0.3	324	0.4
Total Expenditures	79,084	99.5	76,990	95.4	72,024	96.9
EXCESS OF REVENUES OVER EXPENDITURES	405	0.5	3,699	4.6	2,233	3.1
OTHER FINANCING SOURCES						
Net other sources	272	0.3	150	0.2	110	0.1
INCREASE IN FUND BALANCE	677	0.8	3,849	4.8	2,343	3.2
FUND BALANCE, BEGINNING	11,109	14.0	7,260	9.0	4,917	6.6
FUND BALANCE, ENDING	$11,786	14.8	$ 11,109	13.8	$ 7,260	9.8
BASE REVENUE LIMIT PER ADA	$ 5,523		$ 5,282		$ 4,932	

See accompanying note to supplementary information - unaudited.

OCEAN VIEW SCHOOL DISTRICT

CAFETERIA FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDTURES, AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008

(Amounts in thousands)	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal meal program	$ 1,255	49.1	$ 1,202	49.1	$ 1,172	47.1
State meal program	101	3.9	90	3.7	84	3.4
Food sales	1,172	45.9	1,126	46.0	1,212	48.8
Other	27	1.1	31	1.2	18	0.7
Total Revenues	2,555	100.0	2,449	100.0	2,486	100.0
EXPENDITURES						
Salaries and employee benefits	909	35.6	864	35.3	834	33.5
Food	1,408	55.1	1,261	51.5	1,293	52.0
Supplies	102	4.0	105	4.3	116	4.7
Other	189	7.4	158	6.5	171	6.9
Total Expenditures	2,608	102.1	2,388	97.6	2,414	97.1
INCREASE (DECREASE) IN FUND BALANCE	(53)	(2.1)	61	2.4	72	2.9
FUND BALANCE, BEGINNING	660	25.8	599	24.5	527	21.2
FUND BALANCE, ENDING	$ 607	23.7	$ 660	26.9	$ 599	24.1

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2007-2008		2006-2007		2005-2006	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	265,315	36.9	246,237	35.8	244,613	34.6
Reduced price	69,401	9.7	70,748	10.3	69,201	9.8
Free	383,390	53.4	370,511	53.9	393,333	55.6
Total Lunches	718,106	100.0	687,496	100.0	707,147	100.0
BREAKFAST						
Paid	5,716	7.4	5,335	7.0	4,847	6.5
Reduced price	9,575	12.3	10,474	13.7	7,704	10.2
Free	62,395	80.3	60,472	79.3	62,659	83.3
Total Breakfast	77,686	100.0	76,281	100.0	75,210	100.0

See accompanying note to supplementary information - unaudited.

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

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

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 - Unaudited

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 - Unaudited

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 as of and for the year ended June 30, 2008, which collectively comprise Ocean View School District's basic financial statements and have issued our report thereon dated December 2, 2008. 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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. (Item 2008-1)

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.

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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 2, 2008.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008

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 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, 2008. 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, 2008.

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Internal Control Over Compliance

The management of Ocean View School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Ocean View School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program 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, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Ocean View School District
Huntington Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ocean View School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2008. 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 2007-08*, 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:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes

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	Procedures in Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Not Applicable
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
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

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, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. 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, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. 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, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OCEAN VIEW SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.367	Title II, Part A - Improving Teacher Quality Local Grants
10.553, 10.555	Child Nutrition Cluster
84.365	Title III, Part A - Limited English Proficient Student Program

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

OCEAN VIEW SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

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

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

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.

District Response

The District is in the process of a conversion to the Orange County Department of Education Human Resources Bitech Module. June 1, 2009, is the scheduled implementation date at which time the situation will be corrected.

OCEAN VIEW SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

None reported.

OCEAN VIEW SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

After School Education and Safety Program

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 seven 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

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.

District Response

The District will incorporate an "Early Release Form" into the ASES program for the 2008-09 fiscal year.

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 five 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.

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.

District Response

For 2008-09, there are not any before school programs in the District. If the District should re-establish before school programs, we will initiate a Late Arrival Policy.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

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

2007-1 30000

PAYROLL- INTERNAL CONTROLS

Finding

During our review of payroll internal controls, we noted that 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.

Recommendation

The District should implement procedures to ensure that proper segregation of duties exist between payroll and personnel. Payroll technicians should not be allowed to make changes to salary information for employees. In the event that such a procedure is not possible, then compensating controls should be implemented such as any changes made by payroll are reviewed and approved by an independent person prior to processing of payroll warrants.

Current Status

Implementation in process; see current year finding 2008-1.

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, 2008, 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 2, 2008, on the financial statements of Ocean View School District.

ASSOCIATED STUDENT BODY

Revenue Potentials

Spring View Middle School

Finding

Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

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.

1. Potential Income - This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks the cost so that profits can be determined.

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2. Receipts/Fundraiser Deposits - This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.

3. Analysis - This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.

4. Recap - This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008