



Annual Financial Statements  
June 30, 2019



**Ocean View**  
School District

# OCEAN VIEW SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2019

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### **FINANCIAL SECTION**

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds - Statement of Net Position	21
Notes to Financial Statements	22

### **REQUIRED SUPPLEMENTARY INFORMATION**

General Fund - Budgetary Comparison Schedule	64
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	65
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program	66
Schedule of the District's Proportionate Share of the Net Pension Liability	67
Schedule of District Contributions	68
Note to Required Supplementary Information	69

### **SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards	72
Local Education Agency Organization Structure	73
Schedule of Average Daily Attendance	74
Schedule of Instructional Time	75
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	76
Schedule of Financial Trends and Analysis	77
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	79
Note to Supplementary Information	80

### **INDEPENDENT AUDITOR'S REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	85
Report on State Compliance	87

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditor's Results	91
Financial Statement Findings	92
Federal Awards Findings and Questioned Costs	93
State Awards Findings and Questioned Costs	94
Summary Schedule of Prior Audit Findings	95
Management Letter	96



**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Ocean View School District  
Huntington Beach, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean View School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 64, schedule of changes in the District's total OPEB liability and related ratios on page 65, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 66, schedule of the District's proportionate share of the net pension liability on page 67, and the schedule of District contributions on page 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ocean View School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the Ocean View School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Ocean View School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ocean View School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 3, 2019



# Ocean View School District

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Gina Clayton-Tarvin, Vice President  
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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, 2019, with comparative information for the year ending June 30, 2018. 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.
  - The *Fiduciary Funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others (Associated Student Body).

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

### District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. 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 years.

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

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

### **Governmental Activities**

All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, user fees, interest income, Federal, State, and local grants, as well as proceeds from certificate of participation, finance these activities.

### **FINANCIAL HIGHLIGHTS**

The District's financial status remains positive. The ending balance of the General Fund increased \$2,077,319 between July 1, 2018 and June 30, 2019. The General Fund has consistently maintained a reserve for emergencies above the State mandated three (3) percent reserve.

In November 2016, the Ocean View School District community approved the General Obligation Bond Measure R. The voter ballot's language stated that "Ocean View School Student Measure Success Measure. To repair/modernize aging classrooms/school facilities including improving student safety/campus security, disabled access, deteriorating roofs, plumbing, ventilation/electrical systems, and acquire, renovate, construct, and equip classrooms, sites, facilities, labs/instructional technology to support student achievement in reading, math, arts, science, and technology." The taxpayers of the Ocean View School District approved a total of \$169,000,000 to improve school facilities. For fiscal year 2018-2019 project expenditures were \$20,587,462 with construction commitments of \$3,789,757.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The District's combined net position was \$(3,638,250) for the fiscal year ended June 30, 2019. Of this amount, \$(97,753,501) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limit the Board of Trustees' ability to use that net position for day-to-day operations. The analysis below, focuses on the net position (Table 1) and change in the net position (Table 2) for the District's governmental activities.

**Table 1**

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 65,565,825	\$ 81,429,794
Capital assets	118,752,958	98,763,086
<b>Total Assets</b>	<b>184,318,783</b>	<b>180,192,880</b>
<b>Deferred Outflows of Resources</b>	<b>26,925,483</b>	<b>28,870,739</b>
<b>Liabilities</b>		
Current liabilities	11,768,960	8,028,580
Long-term obligations	91,452,621	95,967,886
Aggregate net pension liability	103,069,697	102,190,870
<b>Total Liabilities</b>	<b>206,291,278</b>	<b>206,187,336</b>
<b>Deferred Inflows of Resources</b>	<b>8,591,238</b>	<b>7,889,489</b>
<b>Net Position</b>		
Net investments in capital assets	75,968,069	70,603,641
Restricted	18,147,182	18,934,321
Unrestricted (deficit)	(97,753,501)	(94,551,168)
<b>Total Net Position (deficit)</b>	<b>\$ (3,638,250)</b>	<b>\$ (5,013,206)</b>

The \$(97,753,501) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

### Change in Net Position

The District's total revenues were \$114,108,196 and total expenses were \$112,733,240. Table 2 presents total revenues and total expenses for governmental activities by category.

**Table 2**

	Governmental Activities	
	2019	2018
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 804,914	\$ 703,373
Operating grants and contributions	19,609,074	18,121,773
Capital grants and contributions	162,396	5,746,551
General revenues:		
Federal and State aid not restricted	28,751,473	27,235,593
Property taxes	50,806,804	48,961,859
Other general revenues	13,973,535	6,880,602
<b>Total Revenues</b>	<b>114,108,196</b>	<b>107,649,751</b>
<b>Expenses</b>		
Instruction-related	74,505,673	77,932,377
Pupil services	9,121,140	8,962,757
Administration	6,873,698	7,193,177
Plant services	12,044,482	9,574,953
All other services	10,188,247	7,641,784
<b>Total Expenses</b>	<b>112,733,240</b>	<b>111,305,048</b>
<b>Change in Net Position</b>	<b>\$ 1,374,956</b>	<b>\$ (3,655,297)</b>

Property taxes and State formula aid accounted for 70 percent of the revenue from governmental activities. Another 17 percent came from operating and capital grants and contributions, and the remainder from fees charged for services and miscellaneous sources.

The District's expenses from governmental activities are predominately related to educating and caring for students (74 percent). The purely administrative activities of the District accounted for six percent of total costs. Total revenues surpassed expenses, increasing net position by \$1,374,956 from last year.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### Governmental Activities

Table 3 presents the costs of five major District activities: instruction-related activities, pupil services, administration, plant services, and all 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 \$112,733,240.

- Some of the cost was financed by the users of the District's programs (\$804,914).
- The Federal and State governments subsidized certain programs with operating grants and contributions (\$19,609,074) and capital grants and contributions of (\$162,396).
- Most of the District's costs, however, were financed by District taxpayers and the taxpayers of our State (\$79,558,277). This portion of governmental activities was financed with property taxes, unrestricted State aid based on the State-wide education aid formula, and other State funding.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction-related activities	\$ 74,505,673	\$ 77,932,377	\$ 59,522,780	\$ 58,638,128
Pupil services	9,121,140	8,962,757	5,085,126	4,971,781
Administration	6,873,698	7,193,177	6,339,623	6,641,105
Plant services	12,044,482	9,574,953	11,441,638	9,367,059
All other services	10,188,247	7,641,784	9,767,689	7,115,278
<b>Total</b>	<b>\$ 112,733,240</b>	<b>\$ 111,305,048</b>	<b>\$ 92,156,856</b>	<b>\$ 86,733,351</b>

### 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 two kinds of funds:

**Governmental funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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*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.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. The main day-to-day operating fund of the District is the General Fund. The monies deposited into the General Fund represent the Federal, State, and local revenues available for the ongoing costs related to instruction, school and District administration, student transportation and regular maintenance and operations. During 2018-2019, the General Fund had revenues of \$95,044,398, and expenditures of \$92,967,079. The General Fund balance increased by \$2,077,319 or 2.2 percent of expenditures. The General Fund has maintained additional reserves above the State required 3.0 percent reserves for many years, reflecting that the District achieves a financial balance between revenues and expenditures for its ongoing day-to-day operations.

As the District completed the year, its governmental funds reported combined fund balances of \$54,563,351.

**Table 4**

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	\$ 12,247,074	\$ 95,044,398	\$ 92,967,079	\$ 14,324,393
Building Fund	41,338,664	881,254	20,587,462	21,632,456
Child Development Fund	705,507	3,338,128	3,294,571	749,064
Cafeteria Fund	1,563,600	3,198,031	3,355,700	1,405,931
Capital Facilities Fund	6,097,834	1,169,387	3,046,723	4,220,498
County School Facilities Fund	6,221,129	162,396	203,188	6,180,337
Special Reserve Fund for Capital Outlay Projects	1,406,113	7,908,995	6,739,603	2,575,505
Bond Interest and Redemption Fund	4,628,478	4,079,489	5,232,800	3,475,167
<b>Total</b>	<b>\$ 74,208,399</b>	<b>\$ 115,782,078</b>	<b>\$ 135,427,126</b>	<b>\$ 54,563,351</b>

### Fiduciary Funds

The Associated Student Body funds ended the year with assets of \$312,879, consisting of \$273,344 in bank deposits and \$39,535 in stores inventories, and with liabilities of \$11,274 and \$301,605 due to student groups.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### General Fund Budgetary Highlights

Over the course of the year, the Board approves three versions of the operating budget. These budget revisions are: Adopted Budget, First Interim, and Second Interim, with the Unaudited Actuals brought forward after the year-end closing is completed.

Budget Adjustments to revenues for the year include:

- Adjustments to reflect changes to enrollment as well as projections for components of the Local Control Funding Formula (COLA and GAP Funding Rate).
- Adjustments to unrestricted Federal revenue for Medi-Cal Administrative Activities (MAA) funding received but not originally budgeted.
- Adjustments to restricted Federal revenue as the federal government finalizes allocations.
- Adjustments to State revenue to reflect the actual State Lottery income over original projections.
- Adjustments to Local revenues to reflect donations from parents and community.

The District's estimated budget includes all monies available, whereas the actual budget reflects final expenditures, which are often lower, and result in carryovers to be rolled into the following year. An example would be unspent restricted Federal and State programs and school site carryover.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

During 2018-2019, the District invested in capital assets that included purchasing a new tractor mower that has improved grounds management. Copiers were replaced districtwide. New servers were purchased, consolidating site servers to the District office with an upgrade to network security.

The District broke ground and started construction on a new Central Kitchen planned to be in service in 2019-2020.

For fiscal year 2018-2019, the interim school site formerly known as Sun View was completed on time to accept the students for the first school to be modernized. Westmont was modernized in 2018-2019 reopening its doors for the 2019-2020 school year. College View's initial planning and implementation had begun at the end of fiscal year 2018-2019. The Oak View Gym was completed in June 2019. Phase I of the fencing project had started and was completed in the summer of 2019.

Total depreciation expense for the year was approximately \$5.2 million.

We present more detailed information regarding our capital assets in Note 5 of the financial statements.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### Long-Term Obligations

At year-end, the District had \$91,452,621 in long-term obligations outstanding versus \$95,967,886 last year, a decrease of \$4,515,265 or 4.7 percent. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

**Table 5**

	Governmental Activities	
	2019	2018
General obligation bonds (financed with property taxes)	\$ 41,465,000	\$ 45,000,000
Premium on general obligation bonds	1,725,723	1,790,036
Certificates of participation	21,110,000	22,545,000
Premium on certificates of participation	154,612	188,860
Discount on certificates of participation	(37,990)	(41,443)
Compensated absences	796,793	814,317
Capitalized lease obligations	-	15,656
Supplemental early retirement plan	2,589,200	3,236,500
Net other postemployment benefits (OPEB) liability	23,649,283	22,418,960
<b>Total</b>	<b>\$ 91,452,621</b>	<b>\$ 95,967,886</b>

### Net Pension Liability (NPL)

At year-end, the District had \$103,069,697 in pension liability versus \$102,190,870 last year, an increase of \$878,827 or 0.9 percent. We present more detailed information regarding our net pension liability in Note 13 of the financial statements

### FACTORS BEARING ON THE DISTRICT'S FUTURE

Ocean View School District's enrollment saw a decrease in 2018-2019 like many other districts in California. Fluctuation in enrollment impacts the District's revenue. The District continues to make expenditure adjustments to assist in compensating for the loss in revenue and will continue to maintain a reserve level above the minimum level required. The District is also impacted by the increasing CalSTRS and CalPERS pension liabilities without any additional or new revenue stream.

### 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:

Michael Conroy, Ed D., Deputy Superintendent  
Ocean View School District  
17200 Pinehurst Lane  
Huntington Beach, California 92647

# OCEAN VIEW SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 59,760,448
Receivables	5,634,504
Prepaid expenses	2,420
Stores inventories	168,453
<b>Total Current Assets</b>	<u>65,565,825</u>
Capital Assets:	
Land and construction in progress	38,789,951
Other capital assets	149,004,063
Less: Accumulated depreciation	(69,041,056)
<b>Total Capital Assets</b>	<u>118,752,958</u>
<b>Total Assets</b>	<u>184,318,783</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	526,463
Deferred outflows of resources related to pensions	26,399,020
<b>Total Deferred Outflows of Resources</b>	<u>26,925,483</u>
<b>LIABILITIES</b>	
Accounts payable	10,891,904
Accrued interest	766,486
Unearned revenue	110,570
Long-term obligations:	
Current portion of long-term obligations other than pensions	4,772,300
Noncurrent portion of long-term obligations other than pensions	86,680,321
<b>Total Long-Term Obligations</b>	<u>91,452,621</u>
Aggregate net pension liability	103,069,697
<b>Total Liabilities</b>	<u>206,291,278</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	8,591,238
<b>NET POSITION</b>	
Net investments in capital assets	75,968,069
Restricted for:	
Debt service	2,708,681
Capital projects	11,763,901
Educational programs	1,615,724
Other activities	2,058,876
Unrestricted (deficit)	(97,753,501)
<b>Total Net Position (deficit)</b>	<u>\$ (3,638,250)</u>

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

# OCEAN VIEW SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 64,783,356	\$ 197	\$ 13,267,201	\$ 162,396	\$ (51,353,562)
Instruction-related activities:					
Supervision of instruction	2,963,000	240	1,066,158	-	(1,896,602)
Instructional library, media, and technology	863,698	-	37,228	-	(826,470)
School site administration	5,895,619	259	449,214	-	(5,446,146)
Pupil services:					
Home-to-school transportation	2,520,281	-	77,145	-	(2,443,136)
Food services	3,238,651	736,916	2,285,939	-	(215,796)
All other pupil services	3,362,208	628	935,386	-	(2,426,194)
Administration:					
Data processing	1,147,661	-	27,957	-	(1,119,704)
All other administration	5,726,037	34,536	471,582	-	(5,219,919)
Plant services	12,044,482	-	602,844	-	(11,441,638)
Ancillary services	104,318	-	7,227	-	(97,091)
Community services	2,430,658	-	86,484	-	(2,344,174)
Interest on long-term obligations	2,252,776	-	-	-	(2,252,776)
Other outgo	188,450	32,138	294,709	-	138,397
Depreciation (unallocated) <sup>1</sup>	5,212,045	-	-	-	(5,212,045)
<b>Total Governmental Activities</b>	<b>\$ 112,733,240</b>	<b>\$ 804,914</b>	<b>\$ 19,609,074</b>	<b>\$ 162,396</b>	<b>(92,156,856)</b>
<b>General Revenues and Subventions:</b>					
Property taxes, levied for general purposes					46,093,669
Taxes levied for debt service					4,039,088
Taxes levied for other specific purposes					674,047
Federal and State aid not restricted to specific purposes					28,751,473
Interest and investment earnings					1,774,145
Miscellaneous					12,199,390
<b>Subtotal, General Revenues</b>					<b>93,531,812</b>
<b>Change in Net Position</b>					<b>1,374,956</b>
<b>Net Position - Beginning</b>					<b>(5,013,206)</b>
<b>Net Position - Ending</b>					<b>\$ (3,638,250)</b>

<sup>1</sup> 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.

**OCEAN VIEW SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Deposits and investments	\$ 14,489,883	\$ 25,369,180	\$ 19,901,385	\$ 59,760,448
Receivables	4,854,559	53,033	726,912	5,634,504
Due from other funds	291,594	-	-	291,594
Prepaid expenditures	2,420	-	-	2,420
Stores inventories	73,334	-	95,119	168,453
<b>Total Assets</b>	<b>\$ 19,711,790</b>	<b>\$ 25,422,213</b>	<b>\$ 20,723,416</b>	<b>\$ 65,857,419</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,328,973	\$ 3,789,757	\$ 1,773,174	\$ 10,891,904
Due to other funds	-	-	291,594	291,594
Unearned revenue	58,424	-	52,146	110,570
<b>Total Liabilities</b>	<b>5,387,397</b>	<b>3,789,757</b>	<b>2,116,914</b>	<b>11,294,068</b>
<b>Fund Balances:</b>				
Nonspendable	121,754	-	96,119	217,873
Restricted	1,615,724	21,632,456	17,297,944	40,546,124
Assigned	9,848,889	-	1,212,439	11,061,328
Unassigned	2,738,026	-	-	2,738,026
<b>Total Fund Balances</b>	<b>14,324,393</b>	<b>21,632,456</b>	<b>18,606,502</b>	<b>54,563,351</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,711,790</b>	<b>\$ 25,422,213</b>	<b>\$ 20,723,416</b>	<b>\$ 65,857,419</b>

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

**OCEAN VIEW SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 54,563,351</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
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:	\$ 187,794,014	
Accumulated depreciation is:	<u>(69,041,056)</u>	
Net Capital Assets		118,752,958
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.		
		(766,486)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	9,519,760	
Net change in proportionate share of net pension liability	39,478	
Differences between projected and actual earnings on pension plan investments	275,029	
Differences between expected and actual experience in the measurement of the total pension liability	2,413,809	
Changes of assumptions	<u>14,150,944</u>	
Total Deferred Outflows of Resources Related to Pensions		26,399,020
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(4,903,472)	
Differences between projected and actual earnings on pension plan investments	(2,677,678)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(1,010,088)</u>	
Total Deferred Inflows of Resources Related to Pensions		(8,591,238)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to OPEB at year-end consist of changes of assumptions.		
		526,463

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

**OCEAN VIEW SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION (Continued)  
JUNE 30, 2019**

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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. \$ (103,069,697)

Long-term obligations 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:

General obligation bonds	\$ (41,465,000)	
Premium on issuance of general obligation bonds	(1,725,723)	
Certificates of participation	(21,110,000)	
Premium on issuance of certificates of participation	(154,612)	
Discount on issuance of certificates of participation	37,990	
Compensated absences	(796,793)	
Supplemental early retirement plan	(2,589,200)	
Net other postemployment benefits (OPEB) liability	<u>(23,649,283)</u>	
Total Long-Term Obligations		<u>(91,452,621)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ (3,638,250)</u></u></b>

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

# OCEAN VIEW SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Control Funding Formula	\$ 71,084,855	\$ -	\$ -	\$ 71,084,855
Federal sources	4,554,713	-	2,118,767	6,673,480
Other State sources	11,849,865	-	3,004,943	14,854,808
Other local sources	7,554,965	881,254	14,732,716	23,168,935
<b>Total Revenues</b>	<u>95,044,398</u>	<u>881,254</u>	<u>19,856,426</u>	<u>115,782,078</u>
<b>EXPENDITURES</b>				
Current				
Instruction	62,785,207	-	555,793	63,341,000
Instruction-related activities:				
Supervision of instruction	2,804,332	-	78,417	2,882,749
Instructional library, media, and technology	817,633	-	-	817,633
School site administration	5,640,370	-	46,077	5,686,447
Pupil services:				
Home-to-school transportation	2,418,080	-	-	2,418,080
Food services	-	-	3,171,266	3,171,266
All other pupil services	3,264,035	-	-	3,264,035
Administration:				
Data processing	1,111,500	-	-	1,111,500
All other administration	5,488,665	-	298,765	5,787,430
Plant services	8,141,304	426,227	376,876	8,944,407
Ancillary services	99,776	-	-	99,776
Community services	570	-	2,315,461	2,316,031
Other outgo	188,450	-	-	188,450
Facility acquisition and construction	205,493	20,161,235	7,657,355	28,024,083
Debt service				
Principal	1,656	-	4,984,000	4,985,656
Interest and other	8	-	2,388,575	2,388,583
<b>Total Expenditures</b>	<u>92,967,079</u>	<u>20,587,462</u>	<u>21,872,585</u>	<u>135,427,126</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>2,077,319</u>	<u>(19,706,208)</u>	<u>(2,016,159)</u>	<u>(19,645,048)</u>
<b>Fund Balances - Beginning</b>	12,247,074	41,338,664	20,622,661	74,208,399
<b>Fund Balances - Ending</b>	<u>\$ 14,324,393</u>	<u>\$ 21,632,456</u>	<u>\$ 18,606,502</u>	<u>\$ 54,563,351</u>

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

**OCEAN VIEW SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>		<b>\$ (19,645,048)</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	\$ 25,205,539	
Depreciation expense	<u>(5,212,045)</u>	
Net Expense Adjustment		19,993,494
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(3,622)
In the Statement of Activities, compensated absences (vacations) and special termination benefits (supplemental early retirement plan) 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). Vacation earned was less than the amounts used by \$17,524. Special termination benefits added was less than the amount paid by \$647,300.		664,824
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(3,808,550)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(947,605)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	3,535,000	
Certificates of participation	1,435,000	
Capital lease	<u>15,656</u>	
Combined Adjustment		4,985,656

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

**OCEAN VIEW SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2019**

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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 98,561	
Amortization of debt discount	<u>(3,453)</u>	
Combined Adjustment		\$ 95,108

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on the general obligation bonds and the certificates of participation decreased by \$40,699.

	<u>40,699</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 1,374,956</u></u></b>

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

**OCEAN VIEW SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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	<u>Agency Funds</u> <u>Student Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 273,344
Stores inventories	39,535
<b>Total Assets</b>	<u>\$ 312,879</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 11,274
Due to student groups	301,605
<b>Total Liabilities</b>	<u>\$ 312,879</u>

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

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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 schools 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 Participations, 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 Certificates of Participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

#### **Basis of Presentation - Fund Accounting**

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

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance, revenues, and expenditures and other uses of \$621,493, \$17,288, and \$372,355, respectively.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Child Development Fund** The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**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).

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the District and for each governmental program and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental 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.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statement because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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.

**Unearned Revenue** Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

Investments held at June 30, 2019, 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.

### **Prepaid Expenditures (Expenses)**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

### **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 fiduciary type funds when used.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund and 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 activities columns of the statement of net position.

### Compensated Absences

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

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

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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.

### **Debt Issuance Costs, Premiums, and Discounts**

In the government-wide financial statements financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of assigned funds, and then unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$18,147,182 of restricted net position, which is restricted by enabling legislation.

### Interfund Activity

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. 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 activities columns of the statement of 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.

### 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.

### Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

### **New Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 59,760,448
Fiduciary funds	273,344
Total Deposits and Investments	<u>\$ 60,033,792</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 501,593
Cash in revolving	47,000
Investments	59,485,199
Total Deposits and Investments	<u>\$ 60,033,792</u>

#### Policies and Practices

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

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

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. The District manages its exposure to interest rate risk by investing in the Orange County Treasury Investment Pool and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$59,485,199 with the Orange County Treasury Investment Pool that has an average weighted maturity of 310 days.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Orange County Treasury Investment Pool has been rated Aaa by Moody's Investor Service

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. The District's policy requires that all monies deposited in a bank account outside of the County Treasury be fully insured or collateralized. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2019, the District's bank balances of \$14,993 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### **NOTE 3 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

Uncategorized - Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Uncategorized
Orange County Treasury Investment Pool	\$ 59,485,199	\$ 59,485,199

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 1,984,078	\$ -	\$ 355,268	\$ 2,339,346
State Government				
LCFF apportionment	388,531	-	-	388,531
Categorical aid	207,050	-	117,645	324,695
Lottery	449,078	-	-	449,078
Special education	1,244,268	-	-	1,244,268
Local Government				
Interest	50,094	53,033	45,485	148,612
Other Local Sources	531,460	-	208,514	739,974
Total	<u>\$ 4,854,559</u>	<u>\$ 53,033</u>	<u>\$ 726,912</u>	<u>\$ 5,634,504</u>

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 10,554,104	\$ -	\$ -	\$ 10,554,104
Construction in process	8,219,846	24,723,635	4,707,634	28,235,847
Total Capital Assets Not Being Depreciated	<u>18,773,950</u>	<u>24,723,635</u>	<u>4,707,634</u>	<u>38,789,951</u>
Capital Assets Being Depreciated				
Land improvements	7,173,759	-	-	7,173,759
Buildings and improvements	120,979,339	4,687,424	-	125,666,763
Furniture and equipment	15,685,574	502,114	24,147	16,163,541
Total Capital Assets Being Depreciated	<u>143,838,672</u>	<u>5,189,538</u>	<u>24,147</u>	<u>149,004,063</u>
Less Accumulated Depreciation				
Land improvements	6,624,008	65,233	-	6,689,241
Buildings and improvements	44,083,957	4,529,862	-	48,613,819
Furniture and equipment	13,141,571	616,950	20,525	13,737,996
Total Accumulated Depreciation	<u>63,849,536</u>	<u>5,212,045</u>	<u>20,525</u>	<u>69,041,056</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 98,763,086</u></u>	<u><u>\$ 24,701,128</u></u>	<u><u>\$ 4,711,256</u></u>	<u><u>\$ 118,752,958</u></u>

Depreciation expense was charged to governmental as unallocated.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

A balance of \$138,866 is due from the Child Development Non-Major Governmental Fund to the General Fund for indirect costs.	\$ 138,866
A balance of \$4,500 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.	4,500
A balance of \$146,059 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for indirect costs.	146,059
A balance of \$2,169 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.	2,169
	<u>\$ 291,594</u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	\$ 4,518,999	\$ -	\$ 458,840	\$ 4,977,839	\$ -
Materials and supplies	94,448	-	69,094	163,542	-
Services	565,490	614,688	104,105	1,284,283	-
Construction	75,602	3,175,069	1,141,135	4,391,806	-
Other vendor payables	74,434	-	-	74,434	11,274
Total	<u>\$ 5,328,973</u>	<u>\$ 3,789,757</u>	<u>\$ 1,773,174</u>	<u>\$ 10,891,904</u>	<u>\$ 11,274</u>

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 47,882	\$ -	\$ 47,882
State categorical aid	-	5,357	5,357
Other local	10,542	46,789	57,331
Total	<u>\$ 58,424</u>	<u>\$ 52,146</u>	<u>\$ 110,570</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 45,000,000	\$ -	\$ 3,535,000	\$ 41,465,000	\$ 2,610,000
Premium on general obligation bonds	1,790,036	-	64,313	1,725,723	-
Certificates of participation	22,545,000	-	1,435,000	21,110,000	1,515,000
Premium on certificates of participation	188,860	-	34,248	154,612	-
Discount on certificates of participation	(41,443)	-	(3,453)	(37,990)	-
Compensated absences	814,317	-	17,524	796,793	-
Capital leases	15,656	-	15,656	-	-
Supplemental early retirement plan	3,236,500	-	647,300	2,589,200	647,300
Net other postemployment benefits (OPEB) liability	22,418,960	2,027,854	797,531	23,649,283	-
	<u>\$ 95,967,886</u>	<u>\$ 2,027,854</u>	<u>\$ 6,543,119</u>	<u>\$ 91,452,621</u>	<u>\$ 4,772,300</u>

Payments for the General Obligation Bonds will be made by the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation are made by the Special Reserve Fund for Capital Outlay Projects. 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 Development Fund. Compensated absences will be paid by the fund for which the employee worked. Supplemental early retirement plan and net other postemployment (OPEB) liability are paid by the General Fund.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### 2016 General Obligation Bonds, Series A

On May 17, 2017, the District issued the \$45,000,000 Election of 2016 General Obligation Bonds, Series A. The Series A bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2046, with interest rates ranging from 2.00 to 5.00 percent. Proceeds from the sale of the bonds will be used to finance the repair, upgrading, acquisition, construction, equipping of District sites and facilities, and to pay the costs of issuing the bonds. At June 30, 2019, the principal balance outstanding of the 2016 General Obligation Bonds, Series A was \$41,465,000. Unamortized premium as of June 30, 2019, was \$1,725,723.

The Bonds mature through 2047 as follows:

Fiscal Year	Interest to		Total
	Principal	Maturity	
2020	\$ 2,610,000	\$ 1,610,250	\$ 4,220,250
2021	3,375,000	1,473,675	4,848,675
2022	1,100,000	1,361,800	2,461,800
2023	1,255,000	1,302,925	2,557,925
2024	525,000	1,258,425	1,783,425
2025-2029	2,030,000	5,965,250	7,995,250
2030-2034	3,835,000	5,298,325	9,133,325
2035-2039	6,915,000	4,178,425	11,093,425
2040-2044	10,885,000	2,579,062	13,464,062
2045-2047	8,935,000	484,838	9,419,838
Total	<u>\$ 41,465,000</u>	<u>\$ 25,512,975</u>	<u>\$ 66,977,975</u>

### 2010 Refunding Certificates of Participation

On February 26, 2010, the Corporation issued the 2010 Refunding Certificates of Participation in the amount of \$6,875,000 with interest rates ranging from 3.0 to 4.25 percent. The 2010 Refunding Certificates of Participation have a final maturity to occur on March 1, 2022. Proceeds from the sale of the certificates were used to refund the outstanding portion of the 2002 Certificates of Participation and pay the costs associated with the execution and delivery of the certificates. As of June 30, 2019, the outstanding balance on the 2010 Refunding Certificates of Participation was \$1,815,000. As of June 30, 2019, the unamortized premium received on issuance amounted to \$68,311.

### 2014 Certificates of Participation

On June 19, 2014, the Corporation issued the 2014 Certificates of Participation in the amount of \$10,720,000 with interest rates ranging from 3.0 to 3.375 percent. The 2014 Certificates of Participation have a final maturity to occur on June 1, 2029. Proceeds from the sale of the certificates were used to finance the modernization of certain District schools and pay certain costs of issuance of the Certificates. As of June 30, 2019, the outstanding balance on the 2014 Certificates of Participation was \$8,570,000. As of June 30, 2019, the unamortized premium received on issuance amounted to \$86,301.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 2015 Certificates of Participation

On August 26, 2015, the Corporation issued the 2015 Certificates of Participation in the amount of \$11,870,000 with interest rates ranging from 3.0 to 4.0 percent. The 2015 Certificates of Participation have a final maturity to occur on June 1, 2030. Proceeds from the sale of the certificates will be used to finance the modernization of certain District schools and pay certain costs of issuance of the Certificates. As of June 30, 2019, the outstanding balance on the 2015 Certificates of Participation was \$10,725,000. As of June 30, 2019, the unamortized discount on issuance amounted to \$37,990.

The certificates of participation mature through 2030, as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,515,000	\$ 638,075	\$ 2,153,075
2021	1,605,000	578,325	2,183,325
2022	1,680,000	529,349	2,209,349
2023	1,755,000	486,025	2,241,025
2024	1,830,000	439,525	2,269,525
2025-2029	10,365,000	1,358,563	11,723,563
2030	2,360,000	73,750	2,433,750
Total	<u>\$ 21,110,000</u>	<u>\$ 4,103,612</u>	<u>\$ 25,213,612</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$796,793.

### Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Equipment	Modulars	Total
Balance, Beginning of Year	\$ 1,664	\$ 14,000	\$ 15,664
Payments	(1,664)	(14,000)	(15,664)
Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Supplemental Early Retirement Plan (SERP)**

In 2017-2018 fiscal year, the District adopted the supplemental early retirement plan whereby certain eligible certificated and classified employees were provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS). The criteria for qualification are as follows: have 50 percent full-time employment with the District with five years of service with the District, certificated employees have to be at least 55 years of age by the date of retirement with five years of CalSTRS service or be at least 50 years of age by the date of retirement with 30 years of CalSTRS service, and classified employees have to be at least 50 years of age by the date of retirement with five years of CalPERS service.

Future annuity payments are as follows:

Year Ending June 30,	Amount
2020	\$ 647,300
2021	647,300
2022	647,300
2023	647,300
Total	<u>\$ 2,589,200</u>

**Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 23,129,462	\$ 526,463	\$ 1,020,521
Medicare Premium Payment (MPP) Program	519,821	-	(72,916)
Total	<u>\$ 23,649,283</u>	<u>\$ 526,463</u>	<u>\$ 947,605</u>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The District's Governing Board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### *Plan Membership*

As of July 1, 2017, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	38
Active employees	595
	<u>633</u>

### *Benefits Provided*

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Ocean View School District's Governing Board (the Governing Board) has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Ocean View Teacher Association (OVTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, OVTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid \$724,615 in benefits.

### **Total OPEB Liability of the District**

The total OPEB liability of \$23,129,462 was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

### *Actuarial Assumptions*

The total OPEB liability as of June 30, 2019 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.79 percent for 2019
Salary increases	2.75 percent, average, including inflation
Discount rate	2.79 percent for 2019
Healthcare cost trend rates	7.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2015 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 21,826,223
Service cost	1,003,367
Interest	669,604
Changes of assumptions	354,883
Benefit payments	(724,615)
Net change in total OPEB liability	<u>1,303,239</u>
Balance at June 30, 2019	<u><u>\$ 23,129,462</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.98 percent in 2018 to 2.79 percent in 2019.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current discount rate:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (1.79%)	\$ 25,051,411
Current discount rate (2.79%)	23,129,462
1% increase (3.79%)	21,303,472

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Health Care Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (6.0%)	\$ 20,305,956
Current healthcare cost trend rate (7.0%)	23,129,462
1% increase (8.0%)	26,453,523

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **OPEB Expense and Deferred Outflows of Resources related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,020,521. At June 30, 2019, the District reported deferred outflows of resources for changes of assumptions of \$526,463.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 72,165
2021	72,165
2022	72,165
2023	72,165
2024	72,165
Thereafter	165,638
	<u>\$ 526,463</u>

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### **Net OPEB Liability and OPEB Expense**

At June 30, 2019, the District reported a liability of \$519,821 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1358 percent and 0.1409 percent, resulting in a decrease of 0.0051 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(72,916).

### **Actuarial Methods and Assumptions**

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018 was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 574,948
Current discount rate (3.87%)	519,821
1% increase (4.87%)	470,045

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 474,024
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	519,821
1% increase (4.7% Part A and 5.1% Part B)	569,075

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 46,000	\$ -	\$ 1,000	\$ 47,000
Stores inventories	73,334	-	95,119	168,453
Prepaid expenditures	2,420	-	-	2,420
Total Nonspendable	<u>121,754</u>	<u>-</u>	<u>96,119</u>	<u>217,873</u>
<b>Restricted</b>				
Legally restricted programs	1,615,724	-	2,058,876	3,674,600
Capital projects	-	21,632,456	11,763,901	33,396,357
Debt services	-	-	3,475,167	3,475,167
Total Restricted	<u>1,615,724</u>	<u>21,632,456</u>	<u>17,297,944</u>	<u>40,546,124</u>
<b>Assigned</b>				
School site, donations, and departments carryover	587,270	-	-	587,270
Emergency reserve	7,339,585	-	-	7,339,585
Lottery unrestricted	1,369,928	-	-	1,369,928
Deferred maintenance projects	552,106	-	-	552,106
Capital projects	-	-	1,212,439	1,212,439
Total Assigned	<u>9,848,889</u>	<u>-</u>	<u>1,212,439</u>	<u>11,061,328</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	2,738,026	-	-	2,738,026
Total	<u>\$ 14,324,393</u>	<u>\$ 21,632,456</u>	<u>\$ 18,606,502</u>	<u>\$ 54,563,351</u>

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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
2020	\$ 2,149,898
2021	2,176,717
2022	1,512,241
2023	1,536,121
2024	1,550,073
2025-2029	3,458,443
2030-2034	2,771,875
2035-2039	2,918,750
2040-2044	3,146,875
2045-2049	3,293,750
Thereafter	13,423,750
Total	<u>\$ 37,938,493</u>

### NOTE 12 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Worker's Compensation

For the fiscal year ending 2019, the District participated in the Western Orange County Self-Funded Workers' Compensation Insurance Agency (the Agency), a joint powers authority. The intent of the Agency is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Agency. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Agency. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Agency is limited to districts that can meet the Agency's selection criteria.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

---

### Employee Medical Benefits

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

### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 69,538,654	\$ 17,605,137	\$ 7,970,390	\$ 7,336,421
CalPERS	33,531,043	8,793,883	620,848	5,991,889
Total	<u>\$ 103,069,697</u>	<u>\$ 26,399,020</u>	<u>\$ 8,591,238</u>	<u>\$ 13,328,310</u>

The details of each plan are as follows:

#### California State Teachers' Retirement System (CalSTRS)

##### Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

### Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$6,547,005.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 69,538,654
State's proportionate share of the net pension liability associated with the District	39,814,132
Total	<u>\$ 109,352,786</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0757 percent and 0.0778 percent, resulting in a net decrease in the proportionate share of 0.0021 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$7,336,421. In addition, the District recognized pension expense and revenue of \$4,677,263 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,547,005	\$ -
Net change in proportionate share of net pension liability	39,478	4,282,624
Difference between projected and actual earnings on pension plan investments	-	2,677,678
Differences between expected and actual experience in the measurement of the total pension liability	215,637	1,010,088
Changes of assumptions	10,803,017	-
Total	<u>\$ 17,605,137</u>	<u>\$ 7,970,390</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 581,400
2021	(421,879)
2022	(2,246,468)
2023	(590,731)
Total	<u>\$ (2,677,678)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,061,548
2021	1,061,548
2022	1,061,550
2023	1,190,632
2024	1,644,347
Thereafter	(254,205)
Total	<u>\$ 5,765,420</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

### Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 101,865,991
Current discount rate (7.10%)	69,538,654
1% increase (8.10%)	42,736,155

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$2,972,755.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$33,531,043. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1258 percent and 0.1266 percent, resulting in a net decrease in the proportionate share of 0.0008 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$5,991,889. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,972,755	\$ -
Net change in proportionate share of net pension liability	-	620,848
Difference between projected and actual earnings on pension plan investments	275,029	-
Differences between expected and actual experience in the measurement of the total pension liability	2,198,172	-
Changes of assumptions	3,347,927	-
Total	<u>\$ 8,793,883</u>	<u>\$ 620,848</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,000,344
2021	239,223
2022	(766,624)
2023	(197,914)
Total	<u>\$ 275,029</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,063,369
2021	2,177,527
2022	684,355
Total	<u>\$ 4,925,251</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real estate	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 48,819,595
Current discount rate (7.15%)	33,531,043
1% increase (8.15%)	20,847,000

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Tax Deferred Annuity/Social Security**

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

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,674,600 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on-behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

## **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

### **Litigation**

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Oak View ES Gym	\$ 315,156	09/01/19
Food Service Kitchens	90,000	09/01/19
Central Kitchen	1,000,000	10/01/19
Harbour View ES Restrooms	1,117,570	10/01/19
College View ES Modernization	15,950,472	09/01/20
Westmont ES Modernization	2,010,832	09/01/20
	\$ 20,484,031	

### NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the, the Western Orange County Self-Funded Workers' Compensation Agency, California Schools VEBA, and the Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority public entity risk pools. The District pays an annual premium to each entity for its workers' compensation, property/liability, and health and welfare benefits coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2019, the District made payments of \$841,948, \$9,791,673, and \$1,492,211 to the Western Orange County Self-Funded Workers' Compensation Agency, California Schools VEBA, and Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority, respectively, for annual premium payments.



**REQUIRED SUPPLEMENTARY INFORMATION**

# OCEAN VIEW SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 70,663,852	\$ 71,103,558	\$ 71,084,855	\$ (18,703)
Federal sources	4,309,363	4,607,358	4,554,713	(52,645)
Other State sources	6,068,021	8,133,332	11,849,865	3,716,533
Other local sources	5,686,883	6,755,817	7,554,965	799,148
<b>Total Revenues</b> <sup>1</sup>	<b>86,728,119</b>	<b>90,600,065</b>	<b>95,044,398</b>	<b>4,444,333</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	39,168,478	40,468,750	41,245,824	(777,074)
Classified salaries	15,733,024	15,613,355	16,180,315	(566,960)
Employee benefits	20,565,638	21,623,385	25,487,110	(3,863,725)
Books and supplies	3,492,342	4,237,117	2,220,248	2,016,869
Services and operating expenditures	7,274,434	8,727,188	7,400,558	1,326,630
Other outgo	97,094	199,159	(94,811)	293,970
Capital outlay	75,581	456,914	527,835	(70,921)
<b>Total Expenditures</b> <sup>1</sup>	<b>86,406,591</b>	<b>91,325,868</b>	<b>92,967,079</b>	<b>(1,641,211)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>321,528</b>	<b>(725,803)</b>	<b>2,077,319</b>	<b>2,803,122</b>
<b>Other Financing Uses</b>				
Transfers out	(250,000)	(250,000)	-	250,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>71,528</b>	<b>(975,803)</b>	<b>2,077,319</b>	<b>3,053,122</b>
<b>Fund Balance - Beginning</b>	<b>12,247,074</b>	<b>12,247,074</b>	<b>12,247,074</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 12,318,602</b>	<b>\$ 11,271,271</b>	<b>\$ 14,324,393</b>	<b>\$ 3,053,122</b>

<sup>1</sup> Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. In addition, on-behalf payments of \$3,640,115, relating to SB Senate Bill 90 (Chapter 33, Statutes of 2019), are included in the actual revenues and expenditures, but have not been included in the budget amounts.

See accompanying note to required supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
<b>Plan OPEB Liability</b>		
Interest	\$ 1,003,367	\$ 1,058,553
Changes of benefit terms	669,604	661,107
Difference between expected and actual experience	-	1,847,041
Changes of assumptions	354,883	274,835
Benefit payments	(724,615)	(459,130)
<b>Net change in total OPEB liability</b>	<u>1,303,239</u>	<u>3,382,406</u>
<b>Total OPEB liability - beginning</b>	21,826,223	18,443,817
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 23,129,462</u></u>	<u><u>\$ 21,826,223</u></u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

<sup>1</sup> The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

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Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.1358%	0.1409%
District's proportionate share of the net OPEB liability	\$ 519,821	\$ 592,737
District's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0757%</u>	<u>0.0778%</u>
District's proportionate share of the net pension liability	\$ 69,538,654	\$ 71,969,514
State's proportionate share of the net pension liability associated with the District	<u>39,814,132</u>	<u>42,576,556</u>
Total	<u>\$ 109,352,786</u>	<u>\$ 114,546,070</u>
District's covered - employee payroll	<u>\$ 40,347,263</u>	<u>\$ 40,833,188</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>172.35%</u>	<u>176.25%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.1258%</u>	<u>0.1266%</u>
District's proportionate share of the net pension liability	<u>\$ 33,531,043</u>	<u>\$ 30,221,356</u>
District's covered - employee payroll	<u>\$ 16,807,939</u>	<u>\$ 15,428,298</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>199.50%</u>	<u>195.88%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0806%</u>	<u>0.0837%</u>	<u>0.0836%</u>
<u>\$ 65,203,930</u>	<u>\$ 56,334,655</u>	<u>\$ 48,824,373</u>
<u>37,119,434</u>	<u>29,794,822</u>	<u>29,482,264</u>
<u>\$ 102,323,364</u>	<u>\$ 86,129,477</u>	<u>\$ 78,306,637</u>
<u>\$ 39,393,075</u>	<u>\$ 37,924,471</u>	<u>\$ 37,497,499</u>
<u>165.52%</u>	<u>148.54%</u>	<u>130.21%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1299%</u>	<u>0.1364%</u>	<u>0.1370%</u>
<u>\$ 25,660,835</u>	<u>\$ 20,112,330</u>	<u>\$ 15,558,329</u>
<u>\$ 15,574,399</u>	<u>\$ 15,147,003</u>	<u>\$ 14,372,498</u>
<u>164.76%</u>	<u>132.78%</u>	<u>108.25%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 6,547,005	\$ 5,822,110
Contributions in relation to the contractually required contribution	<u>6,547,005</u>	<u>5,822,110</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 40,215,018</u>	<u>\$ 40,347,263</u>
Contributions as a percentage of covered - employee payroll	<u>16.28%</u>	<u>14.43%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 2,972,755	\$ 2,610,441
Contributions in relation to the contractually required contribution	<u>2,972,755</u>	<u>2,610,441</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 16,458,615</u>	<u>\$ 16,807,939</u>
Contributions as a percentage of covered - employee payroll	<u>18.062%</u>	<u>15.531%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 5,136,815	\$ 4,226,877	\$ 3,367,693
<u>5,136,815</u>	<u>4,226,877</u>	<u>3,367,693</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 40,833,188</u>	<u>\$ 39,393,075</u>	<u>\$ 37,924,471</u>
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 2,142,682	\$ 1,845,099	\$ 1,783,241
<u>2,142,682</u>	<u>1,845,099</u>	<u>1,783,241</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 15,428,298</u>	<u>\$ 15,574,399</u>	<u>\$ 15,147,003</u>
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedules present information for the original and final budgets and actual operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2019, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	<u>\$ 91,575,868</u>	<u>\$ 92,967,079</u>	<u>\$ 1,391,211</u>

\* Total actual expenditures include on behalf payments of \$3,640,115, relating to SB 90.

#### Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Change in benefit terms* – There were no changes in the benefits terms since the previous valuation.

*Change of assumptions* – The discount rate changed from 2.98 percent in 2018 to 2.79 percent in 2019.

#### Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

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### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



**SUPPLEMENTARY INFORMATION**

# OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,489,402
Title II, Part A, Supporting Effective Instruction	84.367	14341	237,878
Title III, Immigrant Student Program	84.365	15146	22,403
Title III, English Learner Student Program	84.365	14346	239,107
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	5,470
Passed through West Orange County Consortium for Special Education:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,310,241
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	20,116
Preschool Grants, Part B, Sec 619	84.173	13430	85,941
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	296,027
Preschool Staff Development, Part B, Sec 619	84.173A	13431	815
Subtotal Special Education (IDEA) Cluster			<u>1,713,140</u>
State Improvement Grant, Improving Special Ed Systems	84.323	14920	<u>10,788</u>
Total U.S. Department of Education			<u>3,718,188</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,395,287
Especially Needy Breakfast	10.553	13390	375,055
Seamless Summer Food Options	10.559	13396	8,835
Commodities	10.555	13396	258,945
Subtotal Child Nutrition Cluster			<u>2,038,122</u>
Child and Adult Care Food Program	10.558	13666	<u>80,645</u>
Total U.S. Department of Agriculture			<u>2,118,767</u>
<b>U.S. DEPARTMENT HEALTH AND HUMAN SERVICES</b>			
Medicaid Cluster:			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	583,737
Passed through Orange County Department of Education:			
Medi-Cal Administrative Activities	93.778	10060	636,755
Subtotal Medicaid Cluster			<u>1,220,492</u>
Total U.S. Department of Health and Human Services			<u>1,220,492</u>
Total Expenditures of Federal Awards			<u>\$ 7,057,447</u>

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### ORGANIZATION

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

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. John Briscoe	President	2022
Ms. Gina Clayton-Tarvin	Vice President	2020
Mr. Jack Souders	Clerk	2022
Ms. Patricia Singer	Member	2022
Mr. Norm Westwell	Member	2020

### ADMINISTRATION

Dr. Carol Hansen	Superintendent
Dr. Michael Conroy	Deputy Superintendent, Administrative Services
Mr. Felix Avila	Assistant Superintendent, Human Resources
Ms. Julianne Hofer	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report 88EB3853	Annual Report EF7109EA
Regular ADA		
Transitional kindergarten through third	3,318.24	3,324.76
Fourth through sixth	2,521.84	2,520.48
Seventh and eighth	1,871.31	1,864.84
Total Regular ADA	<u>7,711.39</u>	<u>7,710.08</u>
Extended Year Special Education		
Transitional kindergarten through third	8.78	8.78
Fourth through sixth	4.58	4.58
Seventh and eighth	1.51	1.51
Total Extended Year Special Education	<u>14.87</u>	<u>14.87</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.26	2.23
Fourth through sixth	2.91	2.69
Seventh and eighth	4.19	4.20
Total Special Education, Nonpublic, Nonsectarian Schools	<u>9.36</u>	<u>9.12</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.17	0.17
Fourth through sixth	0.31	0.31
Seventh and eighth	0.54	0.54
Total Extended Special Education, Nonpublic, Nonsectarian Schools	<u>1.02</u>	<u>1.02</u>
Total ADA	<u><u>7,736.64</u></u>	<u><u>7,735.09</u></u>

See accompanying note to supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	51,490	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,570	180	N/A	Complied
Grade 2		50,570	180	N/A	Complied
Grade 3		50,570	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		57,940	180	N/A	Complied
Grade 5		57,940	180	N/A	Complied
Grade 6		58,960	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		58,960	180	N/A	Complied
Grade 8		58,960	180	N/A	Complied

See accompanying note to supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
GENERAL FUND <sup>3</sup>				
Revenues	\$ 87,565,199	\$ 95,027,110	\$ 86,726,982	\$ 87,688,324
Expenditures	89,288,336	92,344,724	88,249,774	86,047,552
Other uses and transfers out	250,000	250,000	250,000	250,000
Total Expenditures and Other Uses	89,538,336	92,594,724	88,499,774	86,297,552
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,973,137)	\$ 2,432,386	\$ (1,772,792)	\$ 1,390,772
ENDING FUND BALANCE	\$ 11,729,763	\$ 13,702,900	\$ 11,270,514	\$ 13,043,306
AVAILABLE RESERVES <sup>2</sup>	\$ 2,691,150	\$ 2,738,026	\$ 9,716,575	\$ 2,656,801
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>4</sup>	3.01%	3.08%	10.98%	3.08%
LONG-TERM OBLIGATIONS	N/A	\$ 91,452,621	\$ 95,967,886	\$ 90,884,280
K-12 AVERAGE DAILY ATTENDANCE AT P-2	7,540	7,737	7,988	8,204

The General Fund balance has increased by \$659,594 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$1,973,137 (14.4 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 two of the past three years; however, the District anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$568,341 over the past two years.

Average daily attendance has decreased by 467 over the past two years. An additional decline of 197 ADA is anticipated during fiscal year 2019-2020.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

<sup>4</sup> On-behalf payments of \$3,640,115, relating to SB Senate Bill 90 (Chapter 33, Statutes of 2019), have been excluded from the calculation of available reserve for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2019

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 1,128,133	\$ 1,257,869	\$ 4,990,914	\$ 6,176,893
Receivables	132,394	431,612	11,976	11,982
Stores inventories	-	95,119	-	-
<b>Total Assets</b>	<u>\$ 1,260,527</u>	<u>\$ 1,784,600</u>	<u>\$ 5,002,890</u>	<u>\$ 6,188,875</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 315,951	\$ 230,441	\$ 782,392	\$ 8,538
Due to other funds	143,366	148,228	-	-
Unearned revenue	52,146	-	-	-
<b>Total Liabilities</b>	<u>511,463</u>	<u>378,669</u>	<u>782,392</u>	<u>8,538</u>
<b>Fund Balances:</b>				
Nonspendable	-	96,119	-	-
Restricted	749,064	1,309,812	4,220,498	6,180,337
Assigned	-	-	-	-
<b>Total Fund Balances</b>	<u>749,064</u>	<u>1,405,931</u>	<u>4,220,498</u>	<u>6,180,337</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,260,527</u>	<u>\$ 1,784,600</u>	<u>\$ 5,002,890</u>	<u>\$ 6,188,875</u>

See accompanying note to supplementary information.

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<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 2,883,887	\$ 3,463,689	\$ 19,901,385
127,470	11,478	726,912
-	-	95,119
<u>\$ 3,011,357</u>	<u>\$ 3,475,167</u>	<u>\$ 20,723,416</u>

\$ 435,852	\$ -	\$ 1,773,174
-	-	291,594
-	-	52,146
<u>435,852</u>	<u>-</u>	<u>2,116,914</u>

-	-	96,119
1,363,066	3,475,167	17,297,944
1,212,439	-	1,212,439
<u>2,575,505</u>	<u>3,475,167</u>	<u>18,606,502</u>

<u>\$ 3,011,357</u>	<u>\$ 3,475,167</u>	<u>\$ 20,723,416</u>
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**OCEAN VIEW SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 2,118,767	\$ -	\$ -
Other State sources	957,343	182,950	-	-
Other local sources	2,380,785	896,314	1,169,387	162,396
<b>Total Revenues</b>	<b>3,338,128</b>	<b>3,198,031</b>	<b>1,169,387</b>	<b>162,396</b>
<b>EXPENDITURES</b>				
Current				
Instruction	555,793	-	-	-
Instruction-related activities:				
Supervision of instruction	78,417	-	-	-
School site administration	46,077	-	-	-
Pupil services:				
Food services	-	3,171,266	-	-
Administration:				
All other administration	138,866	146,059	13,840	-
Plant services	145,957	-	-	52,335
Community services	2,315,461	-	-	-
Facility acquisition and construction	-	38,375	3,032,883	150,853
Debt service				
Principal	14,000	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>3,294,571</b>	<b>3,355,700</b>	<b>3,046,723</b>	<b>203,188</b>
<b>NET CHANGE IN FUND BALANCES</b>	43,557	(157,669)	(1,877,336)	(40,792)
<b>Fund Balances - Beginning</b>	705,507	1,563,600	6,097,834	6,221,129
<b>Fund Balances - Ending</b>	<b>\$ 749,064</b>	<b>\$ 1,405,931</b>	<b>\$ 4,220,498</b>	<b>\$ 6,180,337</b>

See accompanying note to supplementary information.

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<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 2,118,767
1,841,071	23,579	3,004,943
6,067,924	4,055,910	14,732,716
<u>7,908,995</u>	<u>4,079,489</u>	<u>19,856,426</u>
-	-	555,793
-	-	78,417
-	-	46,077
-	-	3,171,266
-	-	298,765
178,584	-	376,876
-	-	2,315,461
4,435,244	-	7,657,355
1,435,000	3,535,000	4,984,000
690,775	1,697,800	2,388,575
<u>6,739,603</u>	<u>5,232,800</u>	<u>21,872,585</u>
1,169,392	(1,153,311)	(2,016,159)
1,406,113	4,628,478	20,622,661
<u>\$ 2,575,505</u>	<u>\$ 3,475,167</u>	<u>\$ 18,606,502</u>

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of Medi-Cal Billing Options funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 6,673,480
Medi-Cal Billing Option	93.778	383,967
Total Schedule of Expenditures of Federal Awards		<u>\$ 7,057,447</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. 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 1986-87 requirements, as required by *Education Code* Section 46201.

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.



## **INDEPENDENT AUDITOR'S REPORTS**



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

Governing Board  
Ocean View School District  
Huntington Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ocean View School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Ocean View School District's basic financial statements, and have issued our report thereon dated December 3, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ocean View School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ocean View School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ocean View School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Ocean View School District in a separate letter dated December 3, 2019.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California  
December 3, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Ocean View School District  
Huntington Beach, California

**Report on Compliance for Each Major Federal Program**

We have audited Ocean View School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ocean View School District's major Federal programs for the year ended June 30, 2019. Ocean View School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Ocean View School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Ocean View School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Ocean View School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of Ocean View School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ocean View School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ocean View School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 3, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Ocean View School District  
Huntington Beach, California

### **Report on State Compliance**

We have audited Ocean View School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Ocean View School District's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Ocean View School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Ocean View School District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Ocean View School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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:

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer an Independent Study Program; therefore, we did not perform procedures related to the Independent Study Program.

The District is an elementary school district and does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures related to the Apprenticeship Program.

The District did not elect to operate as a district of choice; therefore, we did not perform any procedures related to the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures related to the Charter School Programs.

*Eide Sully LLP*

Rancho Cucamonga, California  
December 3, 2019



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OCEAN VIEW SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**OCEAN VIEW SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**OCEAN VIEW SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**OCEAN VIEW SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**OCEAN VIEW SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Management  
Ocean View School District  
Huntington Beach, California

In planning and performing our audit of the financial statements of Ocean View School District (the District) for the year ended June 30, 2019, 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 3, 2019, on the government-wide financial statements of the District.

### ***INTERNAL CONTROL***

#### ***Cash Receipts – General Clearing***

##### Observation

Cash collected by school sites or departments is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. 11 of 88 deposits tested did not have sufficiently documented support; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

##### Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money by all school sites or departments. If utilizing a log, the student's name, and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Observation

Per review of the supporting documents pertaining to the District's General Fund local revenues, it was noted that 22 of 88 deposits tested were not deposited in a timely manner. Based on our review of sample transmittals selected for testing, it appears that delay in deposits ranged from 12 to 160 days. The delay in cash deposits can increase the probability of loss or misappropriation.

Recommendation

The District should adhere to its established procedures related to frequency of deposits. The frequency of deposits may need to be increased depending on the volume and amount of cash collected. At a minimum, the District should, at a minimum, make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

Observation

Cash collections that occur at school sites are not receipted at the time funds are collected. For 19 of 88 receipts tested, it was noted that the school site completed a triplicate receipt on the date the cash was prepared for deposit, rather than the actual date of receipt of the cash collections.

Recommendation

The school sites are already utilizing a triplicate receipt book but should alter the procedures to ensure that receipts are issued at the time funds are received. The original copy of the receipt should be given to the payee at the time the payment is made. This process will ensure that all deposits are made intact, timely, and sequentially.

***Cash Receipts – Ocean View Preparatory Preschool (OVPP)***

Observation

During our review of the cash collection procedures for OVPP, it was noted that there appears to be a lack of segregation of duties. The individual in charge of collecting cash also records the collection in the system, deposit the funds into the District's bank account, and reconciles the account. Not having proper segregation of duties creates an opportunity for cash to be misappropriated.

Recommendation

It is recommended that the District revise their procedures over cash collection, input, deposits, and account reconciliation to ensure proper segregation of duties are established. It is also recommended that the person collecting the cash is different from the person that inputs the collections into the system and deposits the money. It is highly recommended that a video monitoring system be utilized to frequently monitor for the ability to deter misappropriation of cash.

Observation

Per review of the District's OVPP bank account reconciliations for the clearing account, it was noted that the reconciliations prepared during the current year were not reviewed by a party other than the employee preparing the bank reconciliation.

Recommendation

Independent review of prepared bank reconciliation should always be performed by an individual with accounting knowledge to ensure proper monitoring of the District's OVPP clearing activities. Upon reviewing the reconciliation, the reviewer should sign and date the reconciliation to indicate it was reviewed. The review process will help identify any errors that may have otherwise gone unidentified.

Observation

Per review of the cash collection and reconciliation procedures, it was noted that the deposits are not reconciled to the EZ Care system report to ensure the deposit is made intact.

Recommendation

The District should revise their depositing procedures to utilize the EZ Care system reports to reconcile the deposit batches to ensure the deposits are made intact. In addition, the system report along with the cash count sheets should be forwarded to the business department for an independent review prior to posting the deposit to the general ledger.

Observation

Checks received by OVPP are not accounted for properly. Checks are not supported by sub-receipts or log indicating the original date the checks were received. Without having sub-receipts or logs the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money. If utilizing a log, the date of receipt, check number, the students name, and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes.

***Vacation Accrual***

Observation

During the review of the District's vacation accruals, the auditor selected 20 employees to test controls over vacation usage and accruals. Four of 20 employees tested had accrual balances higher than allotted by the collective bargaining contract agreement. The collective bargaining contract agreement has a carryover policy of 18 months' worth of carryover for a 12-month employee.

Recommendation

The District should adhere to its collective bargaining contract agreement's policy over maximum allowable vacation accruals. Employees that exceed the maximum allowable vacation accrual should either be encouraged to use their vacation, or excess hours should be paid out to decrease the liability.

***Benefits Reconciliation***

Observation

During the review of the health and welfare benefits reconciliation process, it was noted that the benefits reconciliations are not being prepared completely. The benefits technicians are not able to reconcile the benefits for the employees due to the inaccuracies in the benefits system reports.

Recommendation

It is recommended that the District develop procedures to ensure the reports generated from the District's benefits system are accurate and usable for the purposes of reconciling to benefit invoices. This will allow the District to provide an accurate list of individuals who should be on the District's health benefits plans.

***School Site Revolving Accounts***

Observation

Per review of the school site revolving account activity, it was noted that the revolving accounts are excessively used for goods and services that should be procured through the District's purchasing process. Across all the school sites, on average the sites spent \$2,573 per month and a year-to-date total of \$23,155. Expenditures made via these revolving accounts circumvent the District's existing procurement procedures and can result in misappropriation of cash or school sites purchasing unallowable items.

Recommendation

The District should consider implementing procedures that would restrict the excessive usage of the revolving accounts by school sites. All disbursements should be pre-approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of the most important approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets.

Observation

During our review of the school site revolving bank reconciliations, we noted that the reconciliations are not completed in a timely manner and are not always reviewed by an individual other than the preparer. The lack of performing the reconciliations in a timely manner and an independent review may prevent errors or omissions from being detected.

Management  
Ocean View School District

Recommendation

The District should consider implementing a procedure where a designated individual performs the reconciliation and an independent individual review of the revolving bank reconciliation. The independent review ensures the accuracy and completeness of the bank reconciliation as the reviewer may be able to identify errors or modifications that the preparer has made.

**ASSOCIATED STUDENT BODY (ASB)**

*Vista View Middle School*

Observation

Revenue potential forms are not consistently being completed for fundraising events and/or fundraising events are not being approved prior to the event taking place. Through testing, it was noted that some revenue potential forms used for fundraising events were not completed with respect to anticipated and/or actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful, or any losses have occurred.

Recommendation

The District should require all completed revenue potential forms to be reviewed by an administrator/ASB advisor. A third-party review of completed revenue potential forms would ensure that the ASB are adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact. Review and approving of the fundraising events are an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.

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



Rancho Cucamonga, California  
December 3, 2019