



*"Equity and  
Excellence"*

**OCEAN VIEW  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL  
REPORT

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**JUNE 30, 2016**

# OCEAN VIEW SCHOOL DISTRICT

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JUNE 30, 2016

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***FINANCIAL SECTION***

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## 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, 2016, 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 *2015-2016 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 District'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 District'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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 17 to the financial statements, the District has elected to classify the Child Development Fund as a governmental fund in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statements-And Management's Discussion and Analysis-For State and Local Governments*. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter – Correction of an Error***

As discussed in Note 18 to the financial statements, in 2016, the District restated its beginning balance for capital assets to more accurately reflect the underlying transactions related to the District's construction in progress. Our opinion is not modified with respect to this matter.

## ***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 15, budgetary comparison schedule on page 65, schedule of other postemployment benefits funding progress 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* and the other supplementary information as listed on 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 Schedule of Expenditures of Federal Awards and other 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 October 25, 2016, 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 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 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.

VAUGHN, TIZAS, DAY + QUINN

Rancho Cucamonga, California  
October 25, 2016



# Ocean View School District

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Gina Clayton-Tarvin, President  
John Briscoe, Clerk  
Debbie Cotton, Member  
Joseph Gaglione, Member  
Jack C. Souders, Member

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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, 2016, with comparative information for the year ending June 30, 2015. 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 liabilities - is one way to measure the District's financial health or position.

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.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### **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.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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

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

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

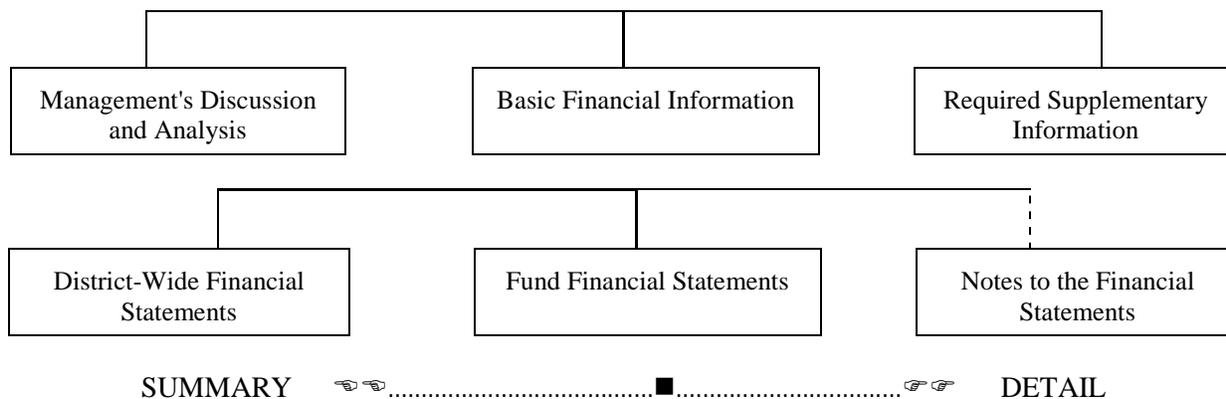
# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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

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



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

### FINANCIAL HIGHLIGHTS

The District's financial status remains positive. The ending balance of the General Fund increased \$3,954,648 between July 1, 2015 and June 30, 2016. The General Fund has consistently maintained a reserve for emergencies above the State mandated three percent reserve.

Over the past several years, the District has developed an extensive facility needs analysis of all current sites. During this same frame, the District had been determining its eligibility for State modernization funds. In April of 2014, the District was notified that it would be funded \$23.4 million for modernization from the School Facilities Program under California Proposition 1D. As part of the 40 percent match necessary to receive the State funds, the Board of Trustees approved the 2014 School Facilities Certificate of Participation (COP) loan of \$10.5 million. Modernization for fire alarm upgrades, roofing, and ADA path of travel upgrades and compliant restrooms began in late June of 2014 and is expected to be completed in October of 2016. In order to assist with the asbestos abatement and reconstruction of three closed elementary schools, the Board of Trustees approved the 2015 Schools Facilities Projects COP for \$11.8 million in 2015-16.

As a result of the 2015 COP issuance, the District will fund only debt service on the 2010 Refunding COP, the 2014 School Facilities Projects COP and the 2015 School Facilities Projects COP with lease monies collected from tenants at closed school sites and with long-term lease revenue from the shopping centers built at the closed Crest View and Rancho View school sites.

The District increased its outstanding long-term obligations by \$11,873,496 or 31.2% percent. This increase is primarily due to the issuance of the 2015 COPS.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The District's combined net position was \$4,218,418 for the fiscal year ended June 30, 2016. Of this amount, \$(74,137,620) 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 |                     |
|---------------------------------------|-------------------------|---------------------|
|                                       | 2016                    | 2015<br>as Restated |
| <b>Assets</b>                         |                         |                     |
| Current and other assets              | \$ 36,996,372           | \$ 38,966,830       |
| Capital assets                        | 93,118,770              | 76,633,931          |
| <b>Total Assets</b>                   | <b>130,115,142</b>      | <b>115,600,761</b>  |
| <b>Deferred Outflows of Resources</b> | <b>15,042,259</b>       | <b>5,150,934</b>    |
| <b>Liabilities</b>                    |                         |                     |
| Current liabilities                   | 10,418,282              | 10,321,252          |
| Long-term obligations                 | 38,027,023              | 26,153,527          |
| Aggregate net pension liability       | 76,446,985              | 64,382,702          |
| <b>Total Liabilities</b>              | <b>124,892,290</b>      | <b>100,857,481</b>  |
| <b>Deferred Inflows of Resources</b>  | <b>16,046,693</b>       | <b>18,536,760</b>   |
| <b>Net Position</b>                   |                         |                     |
| Net investments in capital assets     | 67,593,550              | 55,954,295          |
| Restricted                            | 10,762,488              | 18,327,491          |
| Unrestricted                          | (74,137,620)            | (72,924,332)        |
| <b>Total Net Position</b>             | <b>\$ 4,218,418</b>     | <b>\$ 1,357,454</b> |

The \$(74,137,620) 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, 2016

### Change in Net Position

The District's total revenues were \$97,727,787 and total expenses were \$94,866,823. Table 2 presents total revenues and total expenses for governmental activities by category.

**Table 2**

|                                      | Governmental Activities |                      |
|--------------------------------------|-------------------------|----------------------|
|                                      | 2016                    | 2015                 |
| <b>Revenues</b>                      |                         |                      |
| Program revenues:                    |                         |                      |
| Charges for services                 | \$ 704,727              | \$ 2,500,623         |
| Operating grants and contributions   | 16,036,168              | 15,669,098           |
| Capital grants and contributions     | 37,937                  | 23,325,507           |
| General revenues:                    |                         |                      |
| Federal and State aid not restricted | 33,924,617              | 30,248,244           |
| Property taxes                       | 39,547,080              | 33,882,980           |
| Other general revenues               | 7,477,258               | 5,066,095            |
| <b>Total Revenues</b>                | <b>97,727,787</b>       | <b>110,692,547</b>   |
| <b>Expenses</b>                      |                         |                      |
| Instruction-related                  | 67,703,858              | 64,253,671           |
| Pupil services                       | 7,829,187               | 7,695,640            |
| Administration                       | 5,275,456               | 5,681,728            |
| Plant services                       | 8,219,116               | 15,829,233           |
| Other                                | 5,839,206               | 3,832,642            |
| <b>Total Expenses</b>                | <b>94,866,823</b>       | <b>97,292,914</b>    |
| <b>Change in Net Position</b>        | <b>\$ 2,860,964</b>     | <b>\$ 13,399,633</b> |

Property taxes and State formula aid accounted for 75 percent of the revenue from governmental activities. Another 16 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 (80 percent). The purely administrative activities of the District accounted for six percent of total costs. Total revenues surpassed expenses, increasing net position by \$2,860,964 from last year.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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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 \$94,866,823.

- Some of the cost was financed by the users of the District's programs \$(704,727).
- The Federal and State governments subsidized certain programs with operating grants and contributions \$(16,036,168) and capital grants and contributions of \$(37,937).
- Most of the District's costs, however, were financed by District taxpayers and the taxpayers of our State \$(73,471,697). 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 |                      |
|--------------------------------|------------------------|----------------------|----------------------|----------------------|
|                                | 2016                   | 2015                 | 2016                 | 2015                 |
| Instruction-related activities | \$ 67,703,858          | \$ 64,253,671        | \$ 55,153,391        | \$ 26,801,573        |
| Pupil services                 | 7,829,187              | 7,695,640            | 4,269,396            | 4,210,638            |
| Administration                 | 5,275,456              | 5,681,728            | 4,860,273            | 5,268,061            |
| Plant services                 | 8,219,116              | 15,829,233           | 8,046,546            | 15,777,547           |
| Other                          | 5,839,206              | 3,832,642            | 5,758,385            | 3,739,867            |
| <b>Total</b>                   | <b>\$ 94,866,823</b>   | <b>\$ 97,292,914</b> | <b>\$ 78,087,991</b> | <b>\$ 55,797,686</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).

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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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.

**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 2015-2016, the General Fund had revenues of \$88,272,773, and expenditures of \$84,318,125. The General Fund balance increased by \$3,954,648 or 4.7 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 \$26,684,321.

**Table 4**

|                               | Balances and Activity        |                       |                       |                      |
|-------------------------------|------------------------------|-----------------------|-----------------------|----------------------|
|                               | July 1, 2015,<br>as Restated | Revenues              | Expenditures          | June 30, 2016        |
| General Fund                  | \$ 9,125,536                 | \$ 88,272,773         | \$ 84,318,125         | \$ 13,080,184        |
| Capital Facilities Fund       | 3,184,036                    | 1,439,772             | 31,508                | 4,592,300            |
| Special Reserve Fund for      |                              |                       |                       |                      |
| Capital Outlay Projects       | 1,984,009                    | 14,095,579            | 12,209,894            | 3,869,694            |
| Child Development Fund        | 1,039,535                    | 2,935,748             | 3,002,183             | 973,100              |
| Cafeteria Fund                | 1,773,421                    | 2,924,584             | 2,463,926             | 2,234,079            |
| County School Facilities Fund | 11,626,044                   | 37,936                | 9,729,016             | 1,934,964            |
| Debt Service Fund             | -                            | 2,093,406             | 2,093,406             | -                    |
| <b>Total</b>                  | <b>\$ 28,732,581</b>         | <b>\$ 111,799,798</b> | <b>\$ 113,848,058</b> | <b>\$ 26,684,321</b> |

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### Fiduciary Funds

The Associated Student Body funds ended the year with assets of \$265,847, consisting of \$236,153 in bank deposits and \$29,694 in stores inventories, and with liabilities of \$29,518 and \$236,329 due to student groups.

### 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).
- An increase 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.
- An increase in 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 2015-2016, the District invested in a broad range of capital assets. These assets included the purchase of a High Jump Landing System for the Middle Schools sports program. A shade structure was installed at Oak View Preschool funded from the new QRIS Block Grant. Technology infrastructure additions included a new server. Duplicators were purchased for Oak View and Village View. A vision screener was purchased with Medi-Cal Reimbursement funds.

The construction phase of the District's Modernization Program continued at eleven school sites in 2015-2016. Asbestos abatement and reconstruction at Hope View, Oak View and Lake View was a priority. Hope View and Oak View re-opened in 2015-16, with Lake View re-opening in the fall of 2016.

Total depreciation expense for the year exceeded \$2.7 million.

# OCEAN VIEW SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### Long-Term Obligations

At year-end, the District had \$38,027,023 in long-term obligations outstanding as shown in Table 5. The District continues to report its Other Postemployment Benefits (OPEB) obligation as required by GASB Statement No. 45 which began in 2008-2009. Table 5 also shows a premium on the 2010 Refunding Certificates of Participation as a result of the refunding of the 2002 Certificates of Participation during the 2009-2010 fiscal year, the debt obligation for the 2014 Certificates of Participation and a discount on the 2015 Certificates of Participation issued during the 2015-2016 fiscal year.

**Table 5**

|   | Governmental Activities |                      |
|---|-------------------------|----------------------|
|   | 2016                    | 2015,<br>as Restated |
| Certificates of participation             | \$ 25,235,000           | \$ 14,725,000        |
| Premium on certificates of participation  | 257,356                 | 291,604              |
| Discount on certificates of participation | (48,349)                | -                    |
| Compensated absences                      | 670,620                 | 598,297              |
| Capitalized lease obligations             | 81,213                  | 112,516              |
| Other postemployment benefits             | 11,831,183              | 10,426,110           |
| <b>Total</b>                              | <b>\$ 38,027,023</b>    | <b>\$ 26,153,527</b> |

- The liability for compensated absences increased by \$72,323.
- The liability for other postemployment benefits increased by \$1,405,073.

### Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$76,446,985. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

Ocean View School District's enrollment saw a decrease in 2015-2016 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.

# **OCEAN VIEW SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016**

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### **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, 2016

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>   |                                    |
| Deposits and investments  | \$ 31,051,512                      |
| Receivables   | 5,777,904                          |
| Stores inventories  | 166,956                            |
| <b>Total Current Assets</b>                                     | <u>36,996,372</u>                  |
| Capital Assets:   |                                    |
| Land and construction in progress                               | 59,864,375                         |
| Other capital assets  | 92,523,583                         |
| Less: Accumulated depreciation                                  | (59,269,188)                       |
| Total Capital Assets  | <u>93,118,770</u>                  |
| <b>Total Assets</b>   | <u>130,115,142</u>                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                                    |
| Deferred outflows of resources related to pensions              | <u>15,042,259</u>                  |
| <b>LIABILITIES</b>  |                                    |
| Accounts payable  | 10,054,026                         |
| Accrued interest  | 106,231                            |
| Unearned revenue  | 258,025                            |
| Long-term obligations:  |                                    |
| Current portion of long-term obligations other than pensions    | 1,345,707                          |
| Noncurrent portion of long-term obligations other than pensions | 36,681,316                         |
| Total Long-Term Obligations                                     | <u>38,027,023</u>                  |
| Aggregate net pension liability                                 | <u>76,446,985</u>                  |
| <b>Total Liabilities</b>  | <u>124,892,290</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                                    |
| Deferred inflows of resources related to pensions               | <u>16,046,693</u>                  |
| <b>NET POSITION</b>   |                                    |
| Net investments in capital assets                               | 67,593,550                         |
| Restricted for:   |                                    |
| Capital projects  | 6,609,104                          |
| Educational programs  | 1,041,345                          |
| Other activities  | 3,112,039                          |
| Unrestricted  | (74,137,620)                       |
| <b>Total Net Position</b>                                       | <u>\$ 4,218,418</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, 2016

| Functions/Programs                           | Expenses             | Program Revenues               |                                    |                                  |
|--|----------------------|--------------------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental Activities:</b>              |                      |                                |                                    |                                  |
| Instruction                                  | \$ 58,084,107        | \$ 6,983                       | \$ 10,830,593                      | \$ 37,937                        |
| Instruction-related activities:              |                      |                                |                                    |                                  |
| Supervision of instruction                   | 3,100,055            | 7,957                          | 1,354,989                          | -                                |
| Instructional library, media, and technology | 1,049,504            | -                              | 1,072                              | -                                |
| School site administration                   | 5,470,192            | 6,907                          | 304,029                            | -                                |
| Pupil services:                              |                      |                                |                                    |                                  |
| Home-to-school transportation                | 2,292,545            | -                              | -                                  | -                                |
| Food services                                | 2,374,134            | 634,750                        | 1,980,258                          | -                                |
| All other pupil services                     | 3,162,508            | 17,203                         | 927,580                            | -                                |
| Administration:                              |                      |                                |                                    |                                  |
| Data processing                              | 869,895              | -                              | -                                  | -                                |
| All other administration                     | 4,405,561            | 30,927                         | 384,256                            | -                                |
| Plant services                               | 8,219,116            | -                              | 172,570                            | -                                |
| Ancillary services                           | 54,310               | -                              | 1,372                              | -                                |
| Community services                           | 1,867,988            | -                              | -                                  | -                                |
| Interest on long-term obligations            | 776,296              | -                              | -                                  | -                                |
| Other outgo                                  | 386,991              | -                              | 79,449                             | -                                |
| Depreciation (unallocated) <sup>1</sup>      | 2,753,621            | -                              | -                                  | -                                |
| <b>Total Governmental Activities</b>         | <b>\$ 94,866,823</b> | <b>\$ 704,727</b>              | <b>\$ 16,036,168</b>               | <b>\$ 37,937</b>                 |

**General Revenues and Subventions:**

- Property taxes, levied for general purposes
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

**Total General Revenues and Subventions**

**Change in Net Position**

**Net Position - Beginning, as restated**

**Net Position - Ending**

<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.

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| <b>Revenues and<br/>Changes in Net Position</b> |                         |
|---|-------------------------|
| <b>Governmental<br/>Activities</b>              |                         |
| \$  | (47,208,594)            |
|   | (1,737,109)             |
|   | (1,048,432)             |
|   | (5,159,256)             |
|   | (2,292,545)             |
|   | 240,874                 |
|   | (2,217,725)             |
|   | (869,895)               |
|   | (3,990,378)             |
|   | (8,046,546)             |
|   | (52,938)                |
|   | (1,867,988)             |
|   | (776,296)               |
|   | (307,542)               |
|   | (2,753,621)             |
|   | <u>(78,087,991)</u>     |
|   | 39,101,466              |
|   | 445,614                 |
|   | 33,924,617              |
|   | 206,778                 |
|   | 7,270,480               |
|   | <u>80,948,955</u>       |
|   | 2,860,964               |
|   | 1,357,454               |
| \$  | <u><u>4,218,418</u></u> |

**OCEAN VIEW SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

|  | <b>General<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> | <b>Special Reserve<br/>Fund for Capital<br/>Outlay Projects</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|--|---|---|---|
| <b>ASSETS</b>                                  |                         |  |   |   |   |
| Deposits and investments                       | \$ 14,165,557           | \$ 3,856,486                           | \$ 7,395,424  | \$ 5,634,045                                | \$ 31,051,512                           |
| Receivables                                    | 4,382,854               | 758,570                                | 93,769  | 542,711                                     | 5,777,904                               |
| Due from other funds                           | 230,646                 | -                                      | -   | 2,934                                       | 233,580                                 |
| Stores inventories                             | 72,816                  | -                                      | -   | 94,140                                      | 166,956                                 |
| <b>Total Assets</b>                            | <b>\$ 18,851,873</b>    | <b>\$ 4,615,056</b>                    | <b>\$ 7,489,193</b>   | <b>\$ 6,273,830</b>                         | <b>\$ 37,229,952</b>                    |
| <b>LIABILITIES AND FUND BALANCES</b>           |                         |  |   |   |   |
| <b>Liabilities:</b>                            |                         |  |   |   |   |
| Accounts payable                               | \$ 5,644,487            | \$ 22,756                              | \$ 3,619,499  | \$ 767,284                                  | \$ 10,054,026                           |
| Due to other funds                             | 1,450                   | -                                      | -   | 232,130                                     | 233,580                                 |
| Unearned revenue                               | 125,752                 | -                                      | -   | 132,273                                     | 258,025                                 |
| <b>Total Liabilities</b>                       | <b>5,771,689</b>        | <b>22,756</b>                          | <b>3,619,499</b>  | <b>1,131,687</b>                            | <b>10,545,631</b>                       |
| <b>Fund Balances:</b>                          |                         |  |   |   |   |
| Nonspendable                                   | 122,816                 | -                                      | -   | 95,140                                      | 217,956                                 |
| Restricted                                     | 1,041,345               | 4,592,300                              | 81,840  | 5,047,003                                   | 10,762,488                              |
| Assigned                                       | 9,377,250               | -                                      | 3,787,854   | -   | 13,165,104                              |
| Unassigned                                     | 2,538,773               | -                                      | -   | -   | 2,538,773                               |
| <b>Total Fund Balances</b>                     | <b>13,080,184</b>       | <b>4,592,300</b>                       | <b>3,869,694</b>  | <b>5,142,143</b>                            | <b>26,684,321</b>                       |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 18,851,873</b>    | <b>\$ 4,615,056</b>                    | <b>\$ 7,489,193</b>   | <b>\$ 6,273,830</b>                         | <b>\$ 37,229,952</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, 2016

|  |                            |
|--|----------------------------|
| <b>Total Fund Balance - Governmental Funds</b>   | <b>\$ 26,684,321</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:   | \$ 152,387,958             |
| Accumulated depreciation is:   | <u>(59,269,188)</u>        |
| Net Capital Assets   | 93,118,770                 |
| Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.   | 6,071,976                  |
| 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.   | (106,231)                  |
| The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. | (767,884)                  |
| The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.  | (5,280,853)                |
| The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.     | 208,084                    |
| The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.  | (1,235,757)                |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.   | (76,446,985)               |
| Long-term obligations at year-end consist of:  |                            |
| Certificates of participation  | (25,235,000)               |
| Premium on certificates of participation   | (257,356)                  |
| Discount on certificates of participation  | 48,349                     |
| Compensated absences   | (670,620)                  |
| Capital lease obligations  | (81,213)                   |
| Other postemployment benefits (OPEB)   | <u>(11,831,183)</u>        |
| Total Long-Term Obligations  | <u>(38,027,023)</u>        |
| <b>Total Net Position - Governmental Activities</b>  | <b><u>\$ 4,218,418</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, 2016**

|  | <b>General<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> | <b>Special Reserve<br/>Fund for Capital<br/>Outlay Projects</b> |
|--|-------------------------|--|---|
| <b>REVENUES</b>  |                         |  |   |
| Local Control Funding Formula  | \$ 66,280,167           | \$ -                                   | \$ -  |
| Federal sources  | 4,620,202               | -                                      | -   |
| Other State sources  | 10,053,207              | -                                      | -   |
| Other local sources  | 7,319,197               | 1,439,772                              | 2,225,579   |
| <b>Total Revenues</b>  | <b>88,272,773</b>       | <b>1,439,772</b>                       | <b>2,225,579</b>  |
| <b>EXPENDITURES</b>  |                         |  |   |
| Current  |                         |  |   |
| Instruction  | 57,008,026              | -                                      | -   |
| Instruction-related activities:  |                         |  |   |
| Supervision of instruction   | 2,904,175               | -                                      | -   |
| Instructional library, media, and technology                               | 1,015,155               | -                                      | -   |
| School site administration   | 5,373,764               | -                                      | -   |
| Pupil services:  |                         |  |   |
| Home-to-school transportation  | 2,262,933               | -                                      | -   |
| Food services  | 10                      | -                                      | -   |
| All other pupil services   | 3,118,926               | -                                      | -   |
| Administration:  |                         |  |   |
| Data processing  | 878,482                 | -                                      | -   |
| All other administration   | 4,051,457               | 31,508                                 | -   |
| Plant services   | 7,238,387               | -                                      | 427,541   |
| Facility acquisition and construction                                      | -                       | -                                      | 9,637,145   |
| Ancillary services   | 53,885                  | -                                      | -   |
| Community services   | 5,976                   | -                                      | -   |
| Other outgo  | 386,991                 | -                                      | -   |
| Debt service   |                         |  |   |
| Principal  | 17,303                  | -                                      | -   |
| Interest and other   | 2,655                   | -                                      | -   |
| <b>Total Expenditures</b>  | <b>84,318,125</b>       | <b>31,508</b>                          | <b>10,064,686</b>   |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b>               | <b>3,954,648</b>        | <b>1,408,264</b>                       | <b>(7,839,107)</b>  |
| <b>Other Financing Sources (Uses)</b>                                      |                         |  |   |
| Transfers in   | -                       | -                                      | -   |
| Other sources - proceeds from issuance of<br>certificates of participation | -                       | -                                      | 11,870,000  |
| Transfers out  | -                       | -                                      | (2,093,406)   |
| Other uses - discount on issuance of certificates<br>of participation      | -                       | -                                      | (51,802)  |
| <b>Net Financing Sources (Uses)</b>  | <b>-</b>                | <b>-</b>                               | <b>9,724,792</b>  |
| <b>NET CHANGE IN FUND BALANCES</b>   | <b>3,954,648</b>        | <b>1,408,264</b>                       | <b>1,885,685</b>  |
| <b>Fund Balances - Beginning, as restated</b>                              | <b>9,125,536</b>        | <b>3,184,036</b>                       | <b>1,984,009</b>  |
| <b>Fund Balances - Ending</b>  | <b>\$ 13,080,184</b>    | <b>\$ 4,592,300</b>                    | <b>\$ 3,869,694</b>   |

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

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| <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|
| \$ -  | \$ 66,280,167                           |
| 2,104,125                                   | 6,724,327                               |
| 1,073,276                                   | 11,126,483                              |
| 2,720,867                                   | 13,705,415                              |
| <u>5,898,268</u>                            | <u>97,836,392</u>                       |
| 533,427                                     | 57,541,453                              |
| 167,330                                     | 3,071,505                               |
| -   | 1,015,155                               |
| 41,875                                      | 5,415,639                               |
| -   | 2,262,933                               |
| 2,364,114                                   | 2,364,124                               |
| 2,450                                       | 3,121,376                               |
| -   | 878,482                                 |
| 223,360                                     | 4,306,325                               |
| 360,093                                     | 8,026,021                               |
| 9,660,596                                   | 19,297,741                              |
| -   | 53,885                                  |
| 1,827,880                                   | 1,833,856                               |
| -   | 386,991                                 |
| 1,374,000                                   | 1,391,303                               |
| 733,406                                     | 736,061                                 |
| <u>17,288,531</u>                           | <u>111,702,850</u>                      |
| <u>(11,390,263)</u>                         | <u>(13,866,458)</u>                     |
| 2,093,406                                   | 2,093,406                               |
| -   | 11,870,000                              |
| -   | (2,093,406)                             |
| -   | (51,802)                                |
| <u>2,093,406</u>                            | <u>11,818,198</u>                       |
| <u>(9,296,857)</u>                          | <u>(2,048,260)</u>                      |
| 14,439,000                                  | 28,732,581                              |
| <u>\$ 5,142,143</u>                         | <u>\$ 26,684,321</u>                    |

# 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, 2016

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ (2,048,260)**

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net 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        | \$ 19,238,460      |            |
| Depreciation expense   | <u>(2,753,621)</u> |            |
| Net Expense Adjustment |                    | 16,484,839 |

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution. (1,405,073)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation earned was more than the amounts used by \$72,323. (72,323)

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. 317,109

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:  
 Sale of certificates of participation (11,870,000)

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:  
 Discount on issuance 51,802

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, 2016**

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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:

|                               |              |
|-------------------------------|--------------|
| Certificates of participation | \$ 1,360,000 |
| Capital lease obligations     | 31,303       |

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  | \$ 34,248      |        |
| Amortization of debt discount | <u>(3,453)</u> |        |
| Combined Adjustment           |                | 30,795 |

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on the certificates of participation increased by \$19,228.

|  |  |                                   |
|--|--|-----------------------------------|
|  |  | <u>(19,228)</u>                   |
| <b>Change in Net Position of Governmental Activities</b> |  | <b><u><u>\$ 2,860,964</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, 2016**

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|                          | <u>Agency<br/>Funds</u>  |
|--------------------------|--------------------------|
|                          | <u>Student<br/>Funds</u> |
| <b>ASSETS</b>            |                          |
| Deposits and investments | \$ 236,153               |
| Stores inventories       | 29,694                   |
| <b>Total Assets</b>      | <u><u>\$ 265,847</u></u> |
| <br><b>LIABILITIES</b>   |                          |
| Accounts payable         | \$ 29,518                |
| Due to student groups    | 236,329                  |
| <b>Total Liabilities</b> | <u><u>\$ 265,847</u></u> |

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

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

---

### 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, 2016

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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 assets, liabilities, fund balance, and revenues of \$1,433,629, \$5,969, \$1,427,650, and \$6,797, respectively, and a decrease in expenditures and other uses of \$306,771.

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

**Special Reserve Fund for Capital Outlay Project** 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).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. 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, 2016

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

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

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

**Debt Service Fund** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligations.

**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.

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.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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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.

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.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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**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, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net 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.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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.

### **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.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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 deferred charges on refunding of debt and for pension 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.

### Fund Balances - Governmental Funds

As of June 30, 2016, 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.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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**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.

### 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 \$10,762,488 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.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **Budgetary Data**

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

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

### **Property Tax**

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

### **Change in Accounting Principles**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

### **New Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

|                                |                      |
|--------------------------------|----------------------|
| Governmental activities        | \$ 31,051,512        |
| Fiduciary funds                | 236,153              |
| Total Deposits and Investments | <u>\$ 31,287,665</u> |

Deposits and investments as of June 30, 2016, consist of the following:

|                                |                      |
|--------------------------------|----------------------|
| Cash on hand and in banks      | \$ 276,814           |
| Cash in revolving              | 51,000               |
| Investments                    | 30,959,851           |
| Total Deposits and Investments | <u>\$ 31,287,665</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, 2016

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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:

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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 \$30,959,851 with the Orange County Treasury Investment Pool that has an average weighted maturity of 339 days.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Orange County Treasury Investment Pool are not required to be rated, nor have been rated as of June 30, 2016.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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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, 2016, the District's bank balances were within the Federally insured limits.

### 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.

Uncategorized - Investments in the Orange County Treasury Investment 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, 2016:

| Investment Type                        | Reported<br>Amount | Uncategorized |
|--|--------------------|---------------|
| Orange County Treasury Investment Pool | \$ 31,036,113      | \$ 31,036,113 |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

|                     | <u>General<br/>Fund</u> | <u>Capital<br/>Facilities<br/>Fund</u> | <u>Special Reserve<br/>Fund for Capital<br/>Outlay Projects</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Activities</u> |
|---------------------|-------------------------|--|---|---|--|
| Federal Government  |                         |  |   |   |  |
| Categorical aid     | \$ 2,241,880            | \$ -                                   | \$ -  | \$ 407,289                                  | \$ 2,649,169                                 |
| State Government    |                         |  |   |   |  |
| Categorical aid     | 868,830                 | -                                      | -   | 106,521                                     | 975,351                                      |
| Lottery             | 982,296                 | -                                      | -   | -   | 982,296                                      |
| Local Government    |                         |  |   |   |  |
| Interest            | 21,881                  | 2,321                                  | 5,402   | 2,871                                       | 32,475                                       |
| Other Local Sources | 267,967                 | 756,249                                | 88,367  | 26,030                                      | 1,138,613                                    |
| Total               | <u>\$ 4,382,854</u>     | <u>\$758,570</u>                       | <u>\$ 93,769</u>  | <u>\$ 542,711</u>                           | <u>\$ 5,777,904</u>                          |

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

|  | Balance<br>July 1, 2015<br>as Restated | Additions            | Deductions  | Balance<br>June 30, 2016 |
|--|--|----------------------|-------------|--------------------------|
| <b>Governmental Activities</b>                 |  |                      |             |                          |
| Capital Assets Not Being Depreciated           |  |                      |             |                          |
| Land   | \$ 10,554,104                          | \$ -                 | \$ -        | \$ 10,554,104            |
| Construction in process                        | 30,163,492                             | 19,146,779           | -           | 49,310,271               |
| Total Capital Assets<br>Not Being Depreciated  | 40,717,596                             | 19,146,779           | -           | 59,864,375               |
| Capital Assets Being Depreciated               |  |                      |             |                          |
| Land improvements                              | 7,173,759                              | -                    | -           | 7,173,759                |
| Buildings and improvements                     | 70,189,353                             | -                    | -           | 70,189,353               |
| Furniture and equipment                        | 15,068,790                             | 91,681               | -           | 15,160,471               |
| Total Capital Assets<br>Being Depreciated      | 92,431,902                             | 91,681               | -           | 92,523,583               |
| Less Accumulated Depreciation                  |  |                      |             |                          |
| Land improvements                              | 6,410,447                              | 72,378               | -           | 6,482,825                |
| Buildings and improvements                     | 37,949,787                             | 2,085,450            | -           | 40,035,237               |
| Furniture and equipment                        | 12,155,333                             | 595,793              | -           | 12,751,126               |
| Total Accumulated Depreciation                 | 56,515,567                             | 2,753,621            | -           | 59,269,188               |
| Governmental Activities Capital<br>Assets, Net | <u>\$ 76,633,931</u>                   | <u>\$ 16,484,839</u> | <u>\$ -</u> | <u>\$ 93,118,770</u>     |

Depreciation expense was charged to governmental as unallocated.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016, between major and non-major governmental funds are as follows:

| Due To                       | Due From        |                              | Total             |
|------------------------------|-----------------|------------------------------|-------------------|
|                              | General Fund    | Non-Major Governmental Funds |                   |
| General Fund                 | \$ -            | \$ 230,646                   | \$ 230,646        |
| Non-Major Governmental Funds | 1,450           | 1,484                        | 2,934             |
| Total                        | <u>\$ 1,450</u> | <u>\$ 232,130</u>            | <u>\$ 233,580</u> |

A balance of \$123,548 is due from the Child Development Non-Major Governmental Fund to the General Fund for indirect costs. \$ 123,548

A balance of \$4,886 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures. 4,886

A balance of \$99,812 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for indirect costs. 99,812

A balance of \$2,400 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures. 2,400

A balance of \$1,314 is due from the General Fund to the Child Development Non-Major Governmental Fund for payroll, benefits and other operating expenditures. 1,314

A balance of \$136 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for payroll, benefits and other operating expenditures. 136

A balance of \$1,484 is due from the Child Development Non-Major Governmental Fund to the County School Facilities Non-Major Governmental Fund for reimbursement of project costs. 1,484

\$ 233,580

**Operating Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for the debt service payments. \$ 2,093,406

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2016, consisted of the following:

|                        | General<br>Fund     | Capital<br>Facilities<br>Fund | Special Reserve<br>Fund for Capital<br>Outlay Projects | Non-Major<br>Governmental<br>Funds |
|------------------------|---------------------|-------------------------------|--|------------------------------------|
| Salaries and benefits  | \$ 4,181,491        | \$ -                          | \$ -   | \$ 451,806                         |
| Materials and supplies | 61,640              | -                             | -  | 68,206                             |
| Services               | 544,964             | 22,756                        | 703,565  | 41,438                             |
| Construction           | -                   | -                             | 2,915,934  | 205,412                            |
| LCFF apportionment     | 852,315             | -                             | -  | -                                  |
| Other vendor payables  | 4,077               | -                             | -  | 422                                |
| Total                  | <u>\$ 5,644,487</u> | <u>\$ 22,756</u>              | <u>\$ 3,619,499</u>                                    | <u>\$ 767,284</u>                  |

|                        | Total<br>Governmental<br>Activities | Fiduciary<br>Funds |
|------------------------|-------------------------------------|--------------------|
| Salaries and benefits  | \$ 4,633,297                        | \$ -               |
| Materials and supplies | 129,846                             | -                  |
| Services               | 1,312,723                           | -                  |
| Construction           | 3,121,346                           | -                  |
| LCFF apportionment     | 852,315                             | -                  |
| Other vendor payables  | 4,499                               | 29,518             |
| Total                  | <u>\$ 10,054,026</u>                | <u>\$ 29,518</u>   |

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2016, consists of the following:

|                              | General<br>Fund   | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activities |
|------------------------------|-------------------|------------------------------------|-------------------------------------|
| Federal financial assistance | \$ 107,809        | \$ 57,004                          | \$ 164,813                          |
| Other local                  | 17,943            | 75,269                             | 93,212                              |
| Total                        | <u>\$ 125,752</u> | <u>\$ 132,273</u>                  | <u>\$ 258,025</u>                   |

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

|  | Balance<br>July 1, 2015<br>as Restated | Additions            | Deductions          | Balance<br>June 30, 2016 | Due in<br>One Year  |
|--|--|----------------------|---------------------|--------------------------|---------------------|
| <b>Governmental Activities</b>               |  |                      |                     |                          |                     |
| Certificates of participation                | \$ 14,725,000                          | \$ 11,870,000        | \$ 1,360,000        | \$ 25,235,000            | \$ 1,315,000        |
| Premium on certificates<br>of participation  | 291,604                                | -                    | 34,248              | 257,356                  | -                   |
| Discount on certificates<br>of participation | -                                      | (51,802)             | (3,453)             | (48,349)                 | -                   |
| Compensated absences                         | 598,297                                | 72,323               | -                   | 670,620                  | -                   |
| Capital leases                               | 112,516                                | -                    | 31,303              | 81,213                   | 30,707              |
| Other postemployment benefits                | 10,426,110                             | 1,815,948            | 410,875             | 11,831,183               | -                   |
|  | <u>\$ 26,153,527</u>                   | <u>\$ 13,706,469</u> | <u>\$ 1,832,973</u> | <u>\$ 38,027,023</u>     | <u>\$ 1,345,707</u> |

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

**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, 2016, the outstanding balance on the 2010 Refunding Certificates of Participation was \$3,795,000. As of June 30, 2016, the unamortized premium received on issuance amounted to \$145,165.

**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, 2016, the outstanding balance on the 2014 Certificates of Participation was \$9,910,000. As of June 30, 2016, the unamortized premium received on issuance amounted to \$112,191.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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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, 2016, the outstanding balance on the 2015 Certificates of Participation was \$11,530,000. As of June 30, 2016, the unamortized discount on issuance amounted to \$48,349.

The 2010, 2014, and 2015 certificates mature through June 1, 2030, as follows:

| Year Ending<br>June 30, | Principal            | Interest            | Total                |
|-------------------------|----------------------|---------------------|----------------------|
| 2017                    | \$ 1,315,000         | \$ 789,676          | \$ 2,104,676         |
| 2018                    | 1,375,000            | 741,376             | 2,116,376            |
| 2019                    | 1,435,000            | 690,776             | 2,125,776            |
| 2020                    | 1,515,000            | 638,076             | 2,153,076            |
| 2021                    | 1,605,000            | 578,326             | 2,183,326            |
| 2022-2026               | 9,135,000            | 2,180,275           | 11,315,275           |
| 2027-2030               | 8,855,000            | 706,932             | 9,561,932            |
| Total                   | <u>\$ 25,235,000</u> | <u>\$ 6,325,437</u> | <u>\$ 31,560,437</u> |

### Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2016, amounted to \$670,620.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### 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:

|   | <u>Equipment</u> | <u>Modulars</u>  | <u>Total</u>     |
|---|------------------|------------------|------------------|
| Balance, Beginning of Year, as Restated | \$ 61,539        | \$ 56,000        | \$ 117,539       |
| Payments                                | (19,959)         | (14,000)         | (33,959)         |
| Balance, End of Year                    | <u>\$ 41,580</u> | <u>\$ 42,000</u> | <u>\$ 83,580</u> |

The capital leases have minimum lease payments as follows:

| <u>Year Ending<br/>June 30,</u>         | <u>Lease<br/>Payment</u> |
|---|--------------------------|
| 2017                                    | \$ 32,295                |
| 2018                                    | 33,958                   |
| 2019                                    | <u>17,327</u>            |
| Total                                   | 83,580                   |
| Less: Amount Representing Interest      | (2,367)                  |
| Present Value of Minimum Lease Payments | <u>\$ 81,213</u>         |

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$1,956,531, and contributions made by the District during the year were \$410,875. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$521,305 and \$(661,888), respectively, which resulted in an increase to the net OPEB obligation of \$1,405,073. As of June 30, 2016, the net OPEB obligation was \$11,831,183. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

|                                       | General<br>Fund      | Capital<br>Facilities<br>Fund | Special<br>Reserve Fund<br>for Capital<br>Outlay Projects | Non-Major<br>Governmental<br>Funds | Total                |
|---------------------------------------|----------------------|-------------------------------|---|------------------------------------|----------------------|
| <b>Nonspendable</b>                   |                      |                               |   |                                    |                      |
| Revolving cash                        | \$ 50,000            | \$ -                          | \$ -  | \$ 1,000                           | \$ 51,000            |
| Stores inventories                    | 72,816               | -                             | -   | 94,140                             | 166,956              |
| <b>Total Nonspendable</b>             | <b>122,816</b>       | <b>-</b>                      | <b>-</b>  | <b>95,140</b>                      | <b>217,956</b>       |
| <b>Restricted</b>                     |                      |                               |   |                                    |                      |
| Legally restricted programs           | 1,041,345            | -                             | -   | 3,112,039                          | 4,153,384            |
| Capital projects                      | -                    | 4,592,300                     | 81,840  | 1,934,964                          | 6,609,104            |
| <b>Total Restricted</b>               | <b>1,041,345</b>     | <b>4,592,300</b>              | <b>81,840</b>   | <b>5,047,003</b>                   | <b>10,762,488</b>    |
| <b>Assigned</b>                       |                      |                               |   |                                    |                      |
| Site carryovers                       | 1,121,349            | -                             | -   | -                                  | 1,121,349            |
| Tier III programs (BTSA)              | 203,662              | -                             | -   | -                                  | 203,662              |
| Health benefit pools                  | 259,932              | -                             | -   | -                                  | 259,932              |
| Reserve for ACA liabilities           | 100,000              | -                             | -   | -                                  | 100,000              |
| Balance of one-time<br>mandated costs | 3,022,596            | -                             | -   | -                                  | 3,022,596            |
| Emergency reserves                    | 3,242,061            | -                             | -   | -                                  | 3,242,061            |
| Capital projects                      | 1,361,386            | -                             | 3,787,854   | -                                  | 5,149,240            |
| Other assignments                     | 66,264               | -                             | -   | -                                  | 66,264               |
| <b>Total Assigned</b>                 | <b>9,377,250</b>     | <b>-</b>                      | <b>3,787,854</b>  | <b>-</b>                           | <b>13,165,104</b>    |
| <b>Unassigned</b>                     |                      |                               |   |                                    |                      |
| Reserve for economic<br>uncertainties | 2,538,773            | -                             | -   | -                                  | 2,538,773            |
| <b>Total Unassigned</b>               | <b>2,538,773</b>     | <b>-</b>                      | <b>-</b>  | <b>-</b>                           | <b>2,538,773</b>     |
| <b>Total</b>                          | <b>\$ 13,080,184</b> | <b>\$ 4,592,300</b>           | <b>\$ 3,869,694</b>                                       | <b>\$ 5,142,143</b>                | <b>\$ 26,684,321</b> |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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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<br>June 30, | Lease<br>Revenue     |
|-------------------------|----------------------|
| 2017                    | \$ 2,172,043         |
| 2018                    | 1,970,715            |
| 2019                    | 1,768,172            |
| 2020                    | 1,796,633            |
| 2021                    | 1,813,620            |
| 2022-2026               | 4,087,852            |
| 2027-2031               | 2,656,250            |
| 2032-2036               | 2,809,375            |
| 2037-2041               | 3,031,250            |
| 2042-2046               | 3,184,374            |
| Thereafter              | 15,435,000           |
| Total                   | <u>\$ 40,725,284</u> |

### NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Ocean View School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 230 retirees and beneficiaries currently receiving benefits, two terminated Plan members entitled to but not yet receiving benefits, and 637 active Plan members.

#### Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (OVTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$410,875 to the Plan, all of which was used for current premiums (approximately 57 percent of total premiums). Plan members receiving benefits contributed \$303,962, or approximately 43 percent of the total premiums.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

|  |                             |
|--|-----------------------------|
| Annual required contribution               | \$ 1,956,531                |
| Interest on net OPEB obligation            | 521,305                     |
| Adjustment to annual required contribution | (661,888)                   |
| Annual OPEB cost (expense)                 | <u>1,815,948</u>            |
| Contributions made                         | <u>(410,875)</u>            |
| Increase in net OPEB obligation            | 1,405,073                   |
| Net OPEB obligation, beginning of year     | <u>10,426,110</u>           |
| Net OPEB obligation, end of year           | <u><u>\$ 11,831,183</u></u> |

**Trend Information**

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

| Year Ended<br>June 30, | Annual<br>OPEB Cost | Actual<br>Contribution | Percentage<br>Contributed | Net OPEB<br>Obligation |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2014                   | \$ 2,032,097        | \$ 614,877             | 30%                       | \$ 8,990,926           |
| 2015                   | 2,106,425           | 671,241                | 32%                       | 10,426,110             |
| 2016                   | 1,815,948           | 410,875                | 23%                       | 11,831,183             |

**Funded Status and Funding Progress**

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

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Unprojected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>([b - a] / c) |
|--------------------------------|----------------------------------|--|--------------------------------------|-------------------------|------------------------|--|
| July 1, 2015                   | \$ -                             | \$ 17,127,875  | \$ 17,127,875                        | 0%                      | \$ 56,000,386          | 31%  |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of eight percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2016, was 23 years. The actuarial value of assets was not determined in this actuarial valuation.

The District has not established a plan or equivalent arrangement that contains an irrevocable transfer of assets dedicated to providing benefits to retirees.

### **NOTE 13 - 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, 2016, 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.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Worker's Compensation

For fiscal year 2016, the District participated in the Western Orange County Self-Funded Workers' Compensation Insurance Agency (the Agency), a joint powers authority. The intent of the Agency is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Agency. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Agency. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Agency is limited to districts that can meet the Agency's selection criteria.

### Employee Medical Benefits

The District has contracted with 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 14 - 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, 2016, 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<br/>Pension Liability</u> | <u>Collective<br/>Deferred Outflows<br/>of Resources</u> | <u>Collective<br/>Deferred Inflows<br/>of Resources</u> | <u>Collective<br/>Pension Expense</u> |
|---------------------|---|--|---|---------------------------------------|
| CalSTRS             | \$ 56,334,655                               | \$ 8,744,475   | \$ 9,972,198  | \$ 4,446,541                          |
| CalPERS             | 20,112,330                                  | 6,297,784  | 6,074,495   | 1,460,985                             |
| Total               | <u>\$ 76,446,985</u>                        | <u>\$ 15,042,259</u>                                     | <u>\$ 16,046,693</u>                                    | <u>\$ 5,907,526</u>                   |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **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.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

|   | <u>STRP Defined Benefit Program</u> |                                |
|---|-------------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012   | On or after<br>January 1, 2013 |
| 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                       | 9.20%                               | 8.56%                          |
| Required employer contribution rate                       | 10.73%                              | 10.73%                         |
| Required state contribution rate                          | 7.12589%                            | 7.12589%                       |

**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, 2016, are presented above and the District's total contributions were \$4,226,877.

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

At June 30, 2016, 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                               | \$ 56,334,655        |
| State's proportionate share of the net pension liability associated with the District | 29,794,822           |
| Total   | <u>\$ 86,129,477</u> |

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively, was 0.0837 percent and 0.0836 percent, resulting in a net increase in the proportionate share of 0.0001 percent.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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For the year ended June 30, 2016, the District recognized pension expense of \$4,446,541. In addition, the District recognized pension expense and revenue of \$2,307,944 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date  | \$ 4,226,877                      | \$ -                             |
| Net change in proportionate share of net pension liability  | 78,955                            | -                                |
| Difference between projected and actual earnings<br>on pension plan investments                         | 4,438,643                         | 9,030,833                        |
| Differences between expected and actual experience<br>in the measurement of the total pension liability | -                                 | 941,365                          |
| Total   | <u>\$ 8,744,475</u>               | <u>\$ 9,972,198</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.

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<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2017                   | \$ (1,900,617)                                 |
| 2018                   | (1,900,617)                                    |
| 2019                   | (1,900,617)                                    |
| 2020                   | 1,109,661                                      |
| Total                  | <u>\$ (4,592,190)</u>                          |

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability 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 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2017                   | \$ (143,735)                                   |
| 2018                   | (143,735)                                      |
| 2019                   | (143,735)                                      |
| 2020                   | (143,735)                                      |
| 2021                   | (143,735)                                      |
| Thereafter             | (143,735)                                      |
| Total                  | <u>\$ (862,410)</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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2014                      |
| Measurement date          | June 30, 2015                      |
| Experience study          | July 1, 2006 through June 30, 2010 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 7.60%                              |
| Investment rate of return | 7.60%                              |
| Consumer price inflation  | 3.00%                              |
| Wage growth               | 3.75%                              |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| Asset Class         | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---------------------|--------------------------|--|
| Global equity       | 47%                      | 4.50%                                  |
| Private equity      | 12%                      | 6.20%                                  |
| Real estate         | 15%                      | 4.35%                                  |
| Inflation sensitive | 5%                       | 3.20%                                  |
| Fixed income        | 20%                      | 0.20%                                  |
| Cash/liquidity      | 1%                       | 0.00%                                  |

### Discount Rate

The discount rate used to measure the total pension liability was 7.60 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 (7.60 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 (6.60%)           | \$ 85,060,945         |
| Current discount rate (7.60%) | 56,334,655            |
| 1% increase (8.60%)           | 32,460,791            |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically 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, 2016, are summarized as follows:

|   | School Employer Pool (CalPERS)    |                                |
|---|-----------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012 | On or after<br>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                       | 7.000%                            | 6.000%                         |
| Required employer contribution rate                       | 11.847%                           | 11.847%                        |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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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, 2016, are presented above and the total District contributions were \$1,845,099.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,112,330. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively, was 0.1364 percent and 0.1370 percent, resulting in a net decrease in the proportionate share of 0.0006 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,460,985. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date  | \$ 1,845,099                      | \$ -                             |
| Net change in proportionate share of net pension liability  | -                                 | 846,839                          |
| Difference between projected and actual earnings<br>on pension plan investments                         | 3,303,236                         | 3,991,899                        |
| Differences between expected and actual experience<br>in the measurement of the total pension liability | 1,149,449                         | -                                |
| Changes of assumptions  | -                                 | 1,235,757                        |
| Total   | <u>\$ 6,297,784</u>               | <u>\$ 6,074,495</u>              |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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.

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<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2017                   | \$ (504,824)                                   |
| 2018                   | (504,824)                                      |
| 2019                   | (504,824)                                      |
| 2020                   | 825,809  |
| Total                  | <u>\$ (688,663)</u>                            |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2017                   | \$ (442,585)                                   |
| 2018                   | (442,586)                                      |
| 2019                   | (47,976)                                       |
| Total                  | <u>\$ (933,147)</u>                            |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2014                      |
| Measurement date          | June 30, 2015                      |
| Experience study          | July 1, 1997 through June 30, 2011 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 7.65%                              |
| Investment rate of return | 7.65%                              |
| Consumer price inflation  | 2.75%                              |
| Wage growth               | Varies by entry age and service    |

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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                 | 51%                             | 5.25%   |
| Global fixed income           | 19%                             | 0.99%   |
| Private equity                | 10%                             | 6.83%   |
| Real estate                   | 10%                             | 4.50%   |
| Inflation sensitive           | 6%                              | 0.45%   |
| Infrastructure and Forestland | 2%                              | 4.50%   |
| Liquidity                     | 2%                              | -0.55%  |

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Discount Rate

The discount rate used to measure the total pension liability was 7.65 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<br/>Liability</u> |
|-------------------------------|----------------------------------|
| 1% decrease (6.65%)           | \$ 32,734,492                    |
| Current discount rate (7.65%) | 20,112,330                       |
| 1% increase (8.65%)           | 9,616,158                        |

### 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 \$2,500,324 (7.12589 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, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

# OCEAN VIEW SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### NOTE 15 - 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, 2016.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

### NOTE 16 - 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, 2016, the District made payments of \$1,045,937, \$6,303,935, and \$1,547,324 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.

**OCEAN VIEW SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District has elected to classify the Child Development Fund as a governmental fund in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statements-And Management's Discussion and Analysis-For State and Local Governments*. As a result, the effect on the current fiscal year is as follows:

**Statement of Net Position**

|   |                              |
|---|------------------------------|
| Net Position - Beginning  | \$ (6,213,800)               |
| Reclassification of the Child Development Fund from proprietary fund to governmental fund             | <u>2,020,738</u>             |
| Net Position - Beginning, as Restated (before correction of an error from prior period - See Note 18) | <u><u>\$ (4,193,062)</u></u> |

**NOTE 18 – CORRECTION OF AN ERROR OF PRIOR YEAR NET POSITION**

The District corrected its beginning balance for capital assets to more accurately reflect the underlying transactions related to the District's construction in progress. As a result, the effect on the current fiscal year is as follows:

**Government-Wide Financial Statements**

|   |                            |
|---|----------------------------|
| Net Position - Beginning<br>(before correction of an error due to the change of accounting principle - See Note 17) | \$ (4,193,062)             |
| Correction to prior year's construction in progress   | <u>5,550,516</u>           |
| Net Position - Beginning, as Restated   | <u><u>\$ 1,357,454</u></u> |

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# OCEAN VIEW SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

|  | Budgeted Amounts     |                      | Actual<br>(GAAP Basis) | Variances -         |
|--|----------------------|----------------------|------------------------|---------------------|
|  | Original             | Final                |                        | Positive            |
|  |                      |                      |                        | (Negative)          |
|  |                      |                      |                        | Final<br>to Actual  |
| <b>REVENUES</b>                        |                      |                      |                        |                     |
| Local Control Funding Formula          | \$ 66,117,638        | \$ 66,237,755        | \$ 66,280,167          | \$ 42,412           |
| Federal sources                        | 4,092,966            | 4,505,064            | 4,620,202              | 115,138             |
| Other State sources                    | 6,324,920            | 9,934,747            | 10,053,207             | 118,460             |
| Other local sources                    | 5,872,679            | 6,999,115            | 7,319,197              | 320,082             |
| <b>Total Revenues</b> <sup>1</sup>     | <b>82,408,203</b>    | <b>87,676,681</b>    | <b>88,272,773</b>      | <b>596,092</b>      |
| <b>EXPENDITURES</b>                    |                      |                      |                        |                     |
| Current                                |                      |                      |                        |                     |
| Certificated salaries                  | 38,327,074           | 40,817,366           | 40,831,542             | (14,176)            |
| Classified salaries                    | 14,774,879           | 15,665,417           | 15,828,090             | (162,673)           |
| Employee benefits                      | 14,007,796           | 17,469,754           | 17,156,282             | 313,472             |
| Books and supplies                     | 3,469,913            | 3,775,513            | 3,535,376              | 240,137             |
| Services and operating expenditures    | 6,081,451            | 6,875,726            | 6,750,769              | 124,957             |
| Capital outlay                         | 125,000              | 80,299               | 32,476                 | 47,823              |
| Other outgo                            | 173,797              | 149,392              | 183,590                | (34,198)            |
| <b>Total Expenditures</b> <sup>1</sup> | <b>76,959,910</b>    | <b>84,833,467</b>    | <b>84,318,125</b>      | <b>515,342</b>      |
| <b>Excess of Revenues</b>              |                      |                      |                        |                     |
| <b>Over Expenditures</b>               | 5,448,293            | 2,843,214            | 3,954,648              | 1,111,434           |
| <b>Other Financing Uses</b>            |                      |                      |                        |                     |
| Transfers out                          | (500,000)            | (500,000)            | -                      | 500,000             |
| <b>NET CHANGE IN FUND BALANCE</b>      | 4,948,293            | 2,343,214            | 3,954,648              | 1,611,434           |
| <b>Fund Balance - Beginning</b>        | 9,125,536            | 9,125,536            | 9,125,536              | -                   |
| <b>Fund Balance - Ending</b>           | <b>\$ 14,073,829</b> | <b>\$ 11,468,750</b> | <b>\$ 13,080,184</b>   | <b>\$ 1,611,434</b> |

<sup>1</sup> On behalf payments of \$2,500,324 are included in the final budget and actual revenues and expenditures, but have not been included in the original budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2016**

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| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial Value<br/>of Assets (a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL) -<br/>Unprojected<br/>Unit Credit (b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b - a)</b> | <b>Funded Ratio<br/>(a / b)</b> | <b>Covered<br/>Payroll (c)</b> | <b>UAAL as a<br/>Percentage of<br/>Covered Payroll<br/>([b - a] / c)</b> |
|---|--|--|--|---------------------------------|--------------------------------|--|
| July 1, 2008                            | \$ -                                     | \$ 22,538,957  | \$ 22,538,957                                  | 0%                              | \$ 54,024,466                  | 42%  |
| July 1, 2013                            | -  | 18,022,562   | 18,022,562                                     | 0%                              | 53,383,931                     | 34%  |
| July 1, 2015                            | -  | 17,127,875   | 17,127,875                                     | 0%                              | 56,000,386                     | 31%  |

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, 2016**

|   | <u>2016</u>                 | <u>2015</u>                 |
|---|-----------------------------|-----------------------------|
| <b>CalSTRS</b>  |                             |                             |
| District's proportion of the net pension liability  | <u>0.0837%</u>              | <u>0.0836%</u>              |
| District's proportionate share of the net pension liability   | \$ 56,334,655               | \$ 48,824,373               |
| State's proportionate share of the net pension liability associated with the District                         | <u>29,794,822</u>           | <u>29,482,264</u>           |
| Total   | <u><u>\$ 86,129,477</u></u> | <u><u>\$ 78,306,637</u></u> |
| District's covered - employee payroll   | <u>\$ 37,924,471</u>        | <u>\$ 37,497,499</u>        |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | <u>148.54%</u>              | <u>130.21%</u>              |
| Plan fiduciary net position as a percentage of the total pension liability                                    | <u>74%</u>                  | <u>77%</u>                  |
| <b>CalPERS</b>  |                             |                             |
| District's proportion of the net pension liability  | <u>0.1364%</u>              | <u>0.1370%</u>              |
| District's proportionate share of the net pension liability   | <u>\$ 20,112,330</u>        | <u>\$ 15,558,329</u>        |
| District's covered - employee payroll   | <u>\$ 15,147,003</u>        | <u>\$ 14,372,498</u>        |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | <u>132.78%</u>              | <u>108.25%</u>              |
| Plan fiduciary net position as a percentage of the total pension liability                                    | <u>79%</u>                  | <u>83%</u>                  |

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

See accompanying note to required supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

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|  | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|
| <b>CalSTRS</b>   |                      |                      |
| Contractually required contribution                                  | \$ 4,226,877         | \$ 3,367,693         |
| Contributions in relation to the contractually required contribution | <u>4,226,877</u>     | <u>3,367,693</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered - employee payroll                                | <u>\$ 39,393,075</u> | <u>\$ 37,924,471</u> |
| Contributions as a percentage of covered - employee payroll          | <u>10.73%</u>        | <u>8.88%</u>         |
| <br><b>CalPERS</b>   |                      |                      |
| Contractually required contribution                                  | \$ 1,845,099         | \$ 1,783,241         |
| Contributions in relation to the contractually required contribution | <u>1,845,099</u>     | <u>1,783,241</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered - employee payroll                                | <u>\$ 15,574,399</u> | <u>\$ 15,147,003</u> |
| Contributions as a percentage of covered - employee payroll          | <u>11.85%</u>        | <u>11.77%</u>        |

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

See accompanying note to required supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

#### **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.

#### **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.

#### **Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

#### **Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

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*SUPPLEMENTARY INFORMATION*

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**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title    | CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|---|----------------|---|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                 |                |   |                         |
| Passed through California Department of Education (CDE):            |                |   |                         |
| No Child Left Behind Act  |                |   |                         |
| Title III - English Language Acquisition Grants:                    |                |   |                         |
| Title III - Immigrant Education Program                             | 84.365         | 15146   | \$ 31,281               |
| Title III - English Language Proficient (LEP) Student Program       | 84.365         | 14346   | <u>191,927</u>          |
| Subtotal Title III - English Language Acquisition Grants            |                |   | <u>223,208</u>          |
| Title I, Part A - Basic Grants Low-Income and Neglected             | 84.010         | 14329   | 1,371,208               |
| Title II, Part A - Improving Teacher Quality Local Grants           | 84.367         | 14341   | 277,484                 |
| Passed through West Orange County Consortium for Special Education: |                |   |                         |
| Special Education (IDEA) Cluster:                                   |                |   |                         |
| Preschool Grants, Part B, Sec 619                                   | 84.173         | 13430   | 83,691                  |
| Preschool Staff Development, Part B, Sec 619                        | 84.173A        | 13431   | 947                     |
| Local Assistance Entitlement, Part B, Sec 611                       | 84.027         | 13379   | 1,359,397               |
| Local Assistance Entitlement, Part B, Sec 611 - Private School ISPs | 84.027         | 10115   | 28,600                  |
| Preschool Local Entitlement, Part B, Sec 611                        | 84.027A        | 13682   | 199,124                 |
| Mental Health Allocation Plan, Part B, Sec 611                      | 84.027A        | 14468   | 11,070                  |
| Subtotal Special Education (IDEA) Cluster                           |                |   | <u>1,682,829</u>        |
| State Improvement Grant, Improving Special Ed Systems               | 84.323         | 14920   | <u>8,062</u>            |
| Total U.S. Department of Education                                  |                |   | <u>3,562,791</u>        |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                               |                |   |                         |
| Passed through CDE:   |                |   |                         |
| Child Nutrition Cluster:  |                |   |                         |
| National School Lunch Program                                       | 10.555         | 13396   | \$ 1,421,373            |
| Especially Needy Breakfast  | 10.553         | 13390   | 396,219                 |
| Meals Supplements   | 10.555         | 13755   | 9,636                   |
| Commodities   | 10.555         | 13396   | 188,896                 |
| Subtotal Child Nutrition Cluster                                    |                |   | <u>2,016,124</u>        |
| Fresh Fruit and Vegetables Program                                  | 10.582         | 14968   | 56,499                  |
| Child and Adult Care Food Program                                   | 10.558         | 13666   | 31,502                  |
| Total U.S. Department of Agriculture                                |                |   | <u>2,104,125</u>        |
| <b>U.S. DEPARTMENT HEALTH AND HUMAN SERVICES</b>                    |                |   |                         |
| Passed through California Department of Health Care Services:       |                |   |                         |
| Medi-Cal Assistance Programs:                                       |                |   |                         |
| Medi-Cal Billing Option   | 93.778         | 10013   | 344,343                 |
| Medi-Cal Administrative Activities                                  | 93.778         | 10060   | <u>645,998</u>          |
| Total U.S. Department of Health and Human Services                  |                |   | <u>990,341</u>          |
| Total Expenditures of Federal Awards                                |                |   | <u>\$ 6,657,257</u>     |

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

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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> |
|-------------------------|----------------|---------------------|
| Ms. Gina Clayton-Tarvin | President      | 2016                |
| Mr. Jack Souders        | Vice President | 2018                |
| Mr. John Briscoe        | Clerk          | 2018                |
| Ms. Debbie Cotton       | Member         | 2016                |
| Mr. Joseph Gaglione     | Member         | 2018                |

### ADMINISTRATION

|                    |  |
|--------------------|--|
| Dr. Carol Hansen   | Superintendent                                 |
| Mr. Felix Avila    | Assistant Superintendent, Human Resources      |
| Dr. Michael Conroy | Deputy Superintendent, Administrative Services |
| Ms. Pam Bridges    | Director of Fiscal Services                    |

See accompanying note to supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

|  | Final Report           |                        |
|--|------------------------|------------------------|
|  | Second Period Report   | Annual Report          |
| Regular ADA  |                        |                        |
| Transitional kindergarten through third                              | 3,558.71               | 3,570.17               |
| Fourth through sixth   | 2,829.08               | 2,830.55               |
| Seventh and eighth   | 2,035.04               | 2,032.48               |
| Total Regular ADA  | <u>8,422.83</u>        | <u>8,433.20</u>        |
| Extended Year Special Education                                      |                        |                        |
| Transitional kindergarten through third                              | 4.65                   | 4.65                   |
| Fourth through sixth   | 2.25                   | 2.25                   |
| Seventh and eighth   | 2.07                   | 2.07                   |
| Total Extended Year Special Education                                | <u>8.97</u>            | <u>8.97</u>            |
| Special Education, Nonpublic, Nonsectarian Schools                   |                        |                        |
| Transitional kindergarten through third                              | -                      | 0.06                   |
| Fourth through sixth   | 2.04                   | 1.61                   |
| Seventh and eighth   | 1.63                   | 1.33                   |
| Total Special Education, Nonpublic,<br>Nonsectarian Schools          | <u>3.67</u>            | <u>3.00</u>            |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools     |                        |                        |
| Fourth through sixth   | 0.38                   | 0.38                   |
| Seventh and eighth   | 0.21                   | 0.21                   |
| Total Extended Special Education, Nonpublic,<br>Nonsectarian Schools | <u>0.59</u>            | <u>0.59</u>            |
| Total ADA  | <u><u>8,436.06</u></u> | <u><u>8,445.76</u></u> |

See accompanying note to supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2016**

| Grade Level  | 1986-87<br>Minutes<br>Requirement | 2015-2016<br>Actual<br>Minutes | Number of Days          |                        | Status   |
|--------------|-----------------------------------|--------------------------------|-------------------------|------------------------|----------|
|              |                                   |                                | Traditional<br>Calendar | Multitrack<br>Calendar |          |
| Kindergarten | 36,000                            | 52,830                         | 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      |                                   | 58,610                         | 180                     | N/A                    | Complied |
| Grade 5      |                                   | 58,610                         | 180                     | N/A                    | Complied |
| Grade 6      |                                   | 58,056                         | 180                     | N/A                    | Complied |
| Grades 7 - 8 | 54,000                            |                                |                         |                        |          |
| Grade 7      |                                   | 58,056                         | 180                     | N/A                    | Complied |
| Grade 8      |                                   | 58,056                         | 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, 2016**

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There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

|   | (Budget)<br>2017 <sup>1</sup> | 2016          | 2015           | 2014          |
|---|-------------------------------|---------------|----------------|---------------|
| GENERAL FUND <sup>4</sup>   |                               |               |                |               |
| Revenues  | \$ 85,745,553                 | \$ 88,265,976 | \$ 78,158,081  | \$ 75,151,922 |
| Other sources and transfers in                                    | -                             | -             | -              | 87,185        |
| Total Revenues<br>and Other Sources                               | 85,745,553                    | 88,265,976    | 78,158,081     | 75,239,107    |
| Expenditures  | 85,816,902                    | 84,124,896    | 80,758,832     | 73,879,900    |
| Other uses and transfers out                                      | 250,000                       | 500,000       | 500,000        | -             |
| Total Expenditures<br>and Other Uses                              | 86,066,902                    | 84,624,896    | 81,258,832     | 73,879,900    |
| INCREASE (DECREASE)<br>IN FUND BALANCE                            | \$ (321,349)                  | \$ 3,641,080  | \$ (3,100,751) | \$ 1,359,207  |
| ENDING FUND BALANCE   | \$ 11,331,185                 | \$ 11,652,534 | \$ 8,011,454   | \$ 11,112,205 |
| AVAILABLE RESERVES <sup>2</sup>                                   | \$ 2,582,032                  | \$ 2,538,773  | \$ 2,377,676   | \$ 2,152,978  |
| AVAILABLE RESERVES AS A<br>PERCENTAGE OF TOTAL OUTGO <sup>3</sup> | 3.00%                         | 3.00%         | 3.00%          | 3.00%         |
| LONG-TERM OBLIGATIONS   | N/A                           | \$ 38,027,023 | \$ 26,097,527  | \$ 25,741,578 |
| K-12 AVERAGE DAILY<br>ATTENDANCE AT P-2 <sup>4</sup>              | 8,271                         | 8,436         | 8,612          | 9,014         |

The General Fund balance has increased by \$540,329 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$321,349 (2.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by \$12,285,445 over the past two years.

Average daily attendance has decreased by 578 over the past two years. An additional decline of 165 ADA is anticipated during fiscal year 2016-2017.

<sup>1</sup> Budget 2017 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> On behalf payments of \$2,103,478 and \$2,127,224 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015 and 2014.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2016

|  | Child<br>Development<br>Fund | Cafeteria<br>Fund   | County School<br>Facilities<br>Fund | Total Non-Major<br>Governmental<br>Funds |
|--|------------------------------|---------------------|-------------------------------------|--|
| <b>ASSETS</b>                                  |                              |                     |                                     |  |
| Deposits and investments                       | \$ 1,401,724                 | \$ 2,091,520        | \$ 2,140,801                        | \$ 5,634,045                             |
| Receivables                                    | 99,701                       | 442,210             | 800                                 | 542,711                                  |
| Due from other funds                           | 1,314                        | 136                 | 1,484                               | 2,934                                    |
| Stores inventories                             | -                            | 94,140              | -                                   | 94,140                                   |
| <b>Total Assets</b>                            | <u>\$ 1,502,739</u>          | <u>\$ 2,628,006</u> | <u>\$ 2,143,085</u>                 | <u>\$ 6,273,830</u>                      |
| <b>LIABILITIES AND FUND BALANCES</b>           |                              |                     |                                     |  |
| <b>Liabilities:</b>                            |                              |                     |                                     |  |
| Accounts payable                               | \$ 325,450                   | \$ 233,713          | \$ 208,121                          | \$ 767,284                               |
| Due to other funds                             | 129,918                      | 102,212             | -                                   | 232,130                                  |
| Unearned revenue                               | 74,271                       | 58,002              | -                                   | 132,273                                  |
| <b>Total Liabilities</b>                       | <u>529,639</u>               | <u>393,927</u>      | <u>208,121</u>                      | <u>1,131,687</u>                         |
| <b>Fund Balances:</b>                          |                              |                     |                                     |  |
| Nonspendable                                   | -                            | 95,140              | -                                   | 95,140                                   |
| Restricted                                     | 973,100                      | 2,138,939           | 1,934,964                           | 5,047,003                                |
| <b>Total Fund Balances</b>                     | <u>973,100</u>               | <u>2,234,079</u>    | <u>1,934,964</u>                    | <u>5,142,143</u>                         |
| <b>Total Liabilities and<br/>Fund Balances</b> | <u>\$ 1,502,739</u>          | <u>\$ 2,628,006</u> | <u>\$ 2,143,085</u>                 | <u>\$ 6,273,830</u>                      |

See accompanying note to supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

|  | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>County School<br/>Facilities<br/>Fund</b> |
|--|---------------------------------------|---------------------------|--|
| <b>REVENUES</b>  |                                       |                           |  |
| Federal sources  | \$ -                                  | \$ 2,104,125              | \$ -   |
| Other State sources  | 927,798                               | 145,478                   | -  |
| Other local sources  | 2,007,950                             | 674,981                   | 37,936                                       |
| <b>Total Revenues</b>  | <u>2,935,748</u>                      | <u>2,924,584</u>          | <u>37,936</u>                                |
| <b>EXPENDITURES</b>  |                                       |                           |  |
| Current  |                                       |                           |  |
| Instruction  | 533,427                               | -                         | -  |
| Instruction-related activities:                              |                                       |                           |  |
| Supervision of instruction                                   | 167,330                               | -                         | -  |
| School site administration                                   | 41,875                                | -                         | -  |
| Pupil services:  |                                       |                           |  |
| Food services  | -                                     | 2,364,114                 | -  |
| All other pupil services                                     | 2,450                                 | -                         | -  |
| Administration:  |                                       |                           |  |
| All other administration                                     | 123,548                               | 99,812                    | -  |
| Plant services   | 147,675                               | -                         | 212,418                                      |
| Facility acquisition and construction                        | 143,998                               | -                         | 9,516,598                                    |
| Community services   | 1,827,880                             | -                         | -  |
| Debt service   |                                       |                           |  |
| Principal  | 14,000                                | -                         | -  |
| Interest and other   | -                                     | -                         | -  |
| <b>Total Expenditures</b>                                    | <u>3,002,183</u>                      | <u>2,463,926</u>          | <u>9,729,016</u>                             |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <u>(66,435)</u>                       | <u>460,658</u>            | <u>(9,691,080)</u>                           |
| <b>Other Financing Sources</b>                               |                                       |                           |  |
| Transfers in   | -                                     | -                         | -  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | (66,435)                              | 460,658                   | (9,691,080)                                  |
| <b>Fund Balances - Beginning, as restated</b>                | 1,039,535                             | 1,773,421                 | 11,626,044                                   |
| <b>Fund Balances - Ending</b>                                | <u>\$ 973,100</u>                     | <u>\$ 2,234,079</u>       | <u>\$ 1,934,964</u>                          |

See accompanying note to supplementary information.

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| <b>Debt<br/>Service<br/>Fund</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|----------------------------------|---|
| \$ -                             | \$ 2,104,125                                      |
| -                                | 1,073,276   |
| -                                | 2,720,867   |
| -                                | 5,898,268   |
| -                                | 533,427   |
| -                                | 167,330   |
| -                                | 41,875  |
| -                                | 2,364,114   |
| -                                | 2,450   |
| -                                | 223,360   |
| -                                | 360,093   |
| -                                | 9,660,596   |
| -                                | 1,827,880   |
| 1,360,000                        | 1,374,000   |
| 733,406                          | 733,406   |
| <u>2,093,406</u>                 | <u>17,288,531</u>                                 |
| <u>(2,093,406)</u>               | <u>(11,390,263)</u>                               |
| <u>2,093,406</u>                 | <u>2,093,406</u>                                  |
| -                                | (9,296,857)                                       |
| -                                | 14,439,000  |
| <u>\$ -</u>                      | <u>\$ 5,142,143</u>                               |

# OCEAN VIEW SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2016

(Amounts in thousands)

|  | Actual Results for the Years |                          |                 |                          |                 |                          |
|--|------------------------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
|  | 2015-2016                    |                          | 2014-2015       |                          | 2013-2014       |                          |
|  | Amount                       | Percent<br>of<br>Revenue | Amount          | Percent<br>of<br>Revenue | Amount          | Percent<br>of<br>Revenue |
| <b>REVENUES</b>  |                              |                          |                 |                          |                 |                          |
| Federal revenue  | \$ 4,620                     | 5.2                      | \$ 3,849        | 4.9                      | \$ 3,940        | 5.2                      |
| State and local revenue included<br>in Local Control Funding Formula | 66,280                       | 75.1                     | 62,058          | 79.4                     | 57,556          | 76.6                     |
| Other State revenue  | 10,053                       | 11.4                     | 4,936           | 6.3                      | 6,414           | 8.6                      |
| Other local revenue  | 2,172                        | 2.5                      | 1,843           | 2.4                      | 2,037           | 2.7                      |
| Tuition and transfers in   | 5,141                        | 5.8                      | 5,472           | 7.0                      | 5,205           | 6.9                      |
| <b>Total Revenues</b>  | <b>88,266</b>                | <b>100.0</b>             | <b>78,158</b>   | <b>100.0</b>             | <b>75,152</b>   | <b>100.0</b>             |
| <b>EXPENDITURES</b>  |                              |                          |                 |                          |                 |                          |
| Salaries and Benefits  |                              |                          |                 |                          |                 |                          |
| Certificated salaries  | 40,832                       | 46.3                     | 38,482          | 49.2                     | 37,685          | 50.1                     |
| Classified salaries  | 15,828                       | 17.9                     | 15,228          | 19.5                     | 13,901          | 18.5                     |
| Employee benefits  | 17,156                       | 19.4                     | 15,015          | 19.2                     | 14,014          | 18.7                     |
| <b>Total Salaries<br/>        and Benefits</b>                       | <b>73,816</b>                | <b>83.6</b>              | <b>68,725</b>   | <b>87.9</b>              | <b>65,600</b>   | <b>87.3</b>              |
| Books and supplies   | 3,518                        | 4.0                      | 2,545           | 3.3                      | 2,363           | 3.1                      |
| Services and operating expenses                                      | 6,574                        | 7.4                      | 9,058           | 11.6                     | 5,505           | 7.3                      |
| Capital outlay   | 32                           | 0.0                      | 284             | 0.4                      | 275             | 0.4                      |
| Other outgo  | 164                          | 0.2                      | 118             | 0.2                      | 76              | 0.1                      |
| Debt service   | 20                           | 0.0                      | 29              | 0.0                      | 61              | 0.1                      |
| <b>Total Expenditures</b>  | <b>84,124</b>                | <b>95.2</b>              | <b>80,759</b>   | <b>103.4</b>             | <b>73,880</b>   | <b>98.3</b>              |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>              | <b>4,142</b>                 | <b>4.8</b>               | <b>(2,601)</b>  | <b>(3.4)</b>             | <b>1,272</b>    | <b>1.7</b>               |
| <b>OTHER FINANCING SOURCES/USES</b>                                  | <b>(500)</b>                 | <b>(0.6)</b>             | <b>(500)</b>    | <b>(0.6)</b>             | <b>87</b>       | <b>0.1</b>               |
| <b>INCREASE (DECREASE) IN<br/>FUND BALANCE</b>                       | <b>3,642</b>                 | <b>4.2</b>               | <b>(3,101)</b>  | <b>(4.0)</b>             | <b>1,359</b>    | <b>1.8</b>               |
| <b>FUND BALANCE, BEGINNING</b>                                       | <b>8,011</b>                 | <b>9.1</b>               | <b>11,112</b>   | <b>14.2</b>              | <b>9,753</b>    | <b>13.0</b>              |
| <b>FUND BALANCE, ENDING</b>  | <b>\$11,653</b>              | <b>13.3</b>              | <b>\$ 8,011</b> | <b>10.2</b>              | <b>\$11,112</b> | <b>14.8</b>              |

The additional revenues and expenditures pertaining to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects have been excluded from the actual revenues and expenditures above.

See accompanying note to supplementary information.

**OCEAN VIEW SCHOOL DISTRICT**

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

(Dollar amounts in thousands)

|                                | Actual Results for the Years |                    |                 |                    |                 |                    |
|--------------------------------|------------------------------|--------------------|-----------------|--------------------|-----------------|--------------------|
|                                | 2015-2016                    |                    | 2014-2015       |                    | 2013-2014       |                    |
|                                | Amount                       | Percent of Revenue | Amount          | Percent of Revenue | Amount          | Percent of Revenue |
| <b>REVENUES</b>                |                              |                    |                 |                    |                 |                    |
| Federal meal program           | \$ 2,104                     | 71.9               | \$ 1,870        | 66.7               | \$ 1,844        | 62.5               |
| State meal program             | 146                          | 5.0                | 136             | 4.9                | 128             | 4.3                |
| Food sales                     | 675                          | 23.1               | 789             | 28.2               | 973             | 33.0               |
| Other                          | -                            | 0.0                | 5               | 0.2                | 5               | 0.2                |
| Total Revenues                 | <u>2,925</u>                 | <u>100.0</u>       | <u>2,800</u>    | <u>100.0</u>       | <u>2,950</u>    | <u>100.0</u>       |
| <b>EXPENDITURES</b>            |                              |                    |                 |                    |                 |                    |
| Salaries and employee benefits | 1,040                        | 35.6               | 992             | 35.4               | 990             | 33.6               |
| Food                           | 1,133                        | 38.7               | 1,111           | 39.7               | 1,379           | 46.7               |
| Supplies                       | 74                           | 2.5                | 40              | 1.4                | 109             | 3.7                |
| Other                          | 216                          | 7.4                | 356             | 12.7               | 429             | 14.5               |
| Total Expenditures             | <u>2,463</u>                 | <u>84.2</u>        | <u>2,499</u>    | <u>89.2</u>        | <u>2,907</u>    | <u>98.5</u>        |
| INCREASE IN FUND BALANCE       | 462                          | 15.8               | 301             | 10.8               | 43              | 1.5                |
| FUND BALANCE, BEGINNING        | <u>1,773</u>                 | <u>60.6</u>        | <u>1,472</u>    | <u>52.6</u>        | <u>1,429</u>    | <u>48.4</u>        |
| FUND BALANCE, ENDING           | <u>\$ 2,235</u>              | <u>76.4</u>        | <u>\$ 1,773</u> | <u>63.4</u>        | <u>\$ 1,472</u> | <u>49.9</u>        |

\* \* \* \* \*

**TYPE 'A' LUNCH/BREAKFAST PARTICIPATION**

|                         | 2015-2016      |              | 2014-2015      |              | 2013-2014      |              |
|-------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                         | Amount         | Percent      | Amount         | Percent      | Amount         | Percent      |
| <b>TYPE 'A' LUNCHES</b> |                |              |                |              |                |              |
| Paid                    | 135,877        | 23.2         | 131,841        | 23.5         | 142,022        | 24.1         |
| Reduced price           | 49,657         | 8.5          | 53,120         | 9.5          | 44,644         | 7.6          |
| Free                    | 399,542        | 68.3         | 375,021        | 67.0         | 402,773        | 68.3         |
| Total Lunches           | <u>585,076</u> | <u>100.0</u> | <u>559,982</u> | <u>100.0</u> | <u>589,439</u> | <u>100.0</u> |
| <b>BREAKFAST</b>        |                |              |                |              |                |              |
| Paid                    | 18,726         | 8.3          | 10,915         | 7.1          | 8,626          | 5.5          |
| Reduced price           | 14,326         | 6.4          | 9,437          | 6.1          | 7,150          | 4.5          |
| Free                    | 192,090        | 85.3         | 133,858        | 86.8         | 141,522        | 90.0         |
| Total Breakfast         | <u>225,142</u> | <u>100.0</u> | <u>154,210</u> | <u>100.0</u> | <u>157,298</u> | <u>100.0</u> |

See accompanying note to supplementary information.

# OCEAN VIEW SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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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 amounts consist primarily of Medi-Cal Billing Options funds have been recorded in the current period as revenues that have not been expended as of June 30, 2016. These unspent balances are reported as legally restricted ending balances within the General Fund.

|   | CFDA<br>Number | Amount              |
|---|----------------|---------------------|
| Total Federal Revenues From the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances: |                | \$ 6,724,327        |
| Medi-Cal Billing Option   | 93.778         | (67,070)            |
| Total Schedule of Expenditures of Federal Awards  |                | <u>\$ 6,657,257</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 neither met nor exceeded 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, 2016

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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.

### **General Fund Selected Financial Information**

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

### **Cafeteria Fund Selected Financial Information**

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

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***INDEPENDENT AUDITOR'S REPORTS***

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**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, 2016, 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 October 25, 2016.

***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 17 to the financial statements, in 2016, the District has elected to classify the Child Development Fund as a governmental fund in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statements-And Management's Discussion and Analysis-For State and Local Governments*. Our opinion is not modified with respect to this matter.

***Emphasis of Matter – Correction of an Error***

As discussed in Note 18 to the financial statements, in 2016, the District restated its beginning balance for capital assets to more accurately reflect the underlying transactions related to the District's construction in progress.

**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 October 25, 2016.

**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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VADZNEK, TRINIS Day + Co. P

Rancho Cucamonga, California  
October 25, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND 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, 2016. 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, 2016.

## 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 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.

VADPNEK, TIZINS, Day + QUP

Rancho Cucamonga, California  
October 25, 2016



## 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 *2015-2016 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, 2016.

### ***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 *2015-2016 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.

### ***Basis for Qualified Opinion on the After School Education and Safety Program***

As described in the accompanying schedule of findings and questioned costs, Ocean View School District did not comply with requirements regarding the After School Education and Safety Program; refer to the State Awards Findings and Questioned Costs section of this report, item 2016-001. Compliance with such requirements is necessary, in our opinion, for Ocean View School District to comply with the requirements applicable to that program.

***Qualified Opinion on the After School Education and Safety Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Ocean View School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

***Unmodified Opinion on Each of the Other Programs***

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, 2016, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

|   | Procedures<br>Performed |
|---|-------------------------|
| <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                     |
| <b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND<br/>CHARTER SCHOOLS</b> |                         |
| Educator Effectiveness  | Yes                     |
| California Clean Energy Jobs Act  | No, see below           |
| After 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           |
| Immunizations   | Yes, see below          |

Procedures  
Performed

CHARTER SCHOOLS

|   |               |
|---|---------------|
| Attendance  | No, see below |
| Mode of Instruction   | No, see below |
| Non Classroom-Based Instruction/Independent Study for Charter Schools | No, see below |
| Determination of Funding for Non Classroom-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 continuation education classes. Therefore, we did not perform procedures over continuation education.

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 did not any expenditure related to the California Clean Energy Jobs Act; therefore we did not perform procedures related to the California Clean Energy Jobs Act.

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 did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

VADZNEK, TIZAS, Day + QuP

Rancho Cucamonga, California  
October 25, 2016

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

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**OCEAN VIEW SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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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 Numbers</u>                     | <u>Name of Federal Program or Cluster</u>                          |
|---|--|
| 84.027, 84.027A, 84.173, and<br>84.173A | <u>Special Education (IDEA) Cluster</u>                            |
| 84.010                                  | <u>Title I, Part A - Basic Grants<br/>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>No</u>         |

**STATE AWARDS**

|   |  |
|---|--|
| Type of auditor's report issued on compliance for State programs:                 | <u>Unmodified</u>                            |
| Unmodified for all programs except for the following program which was qualified: |  |
|   | <u>Name of Program</u>                       |
|   | After School Education and Safety<br>Program |

**OCEAN VIEW SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

**OCEAN VIEW SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

# OCEAN VIEW SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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The following finding represents instances of noncompliance and/or questioned costs relating to State program laws and regulations. The finding has been coded as follows:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Type</u> |
|------------------------|-----------------------------|
| 40000                  | State Compliance            |

### 2016-001 Code 40000

#### Criteria or Specific Requirements

According to the California *Education Code* Section 8482.4(c), a district that receives state funding for an after school program must report attendance to the California Department of Education (CDE) semiannually. Such reporting must be supported by attendance records supporting student participation.

#### Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report. The District maintains monthly summaries of sign out sheets for students in order to track attendance. The auditor selected the only school operating the program (Oakview Elementary) and recomputed the attendance as indicated on the summaries to determine if total attendance for the first half of the year agrees with the amount reported on the semi-annual report. Per review of the semi-annual report, Oakview Elementary School was reported to have 4,821 students, but the auditor's count per the criteria described above resulted in a count of 4,788 students, with 33 differences noted.

#### Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears to be overstated by 33 for Oakview Elementary for the first semi-annual report.

#### Context

The condition identified resulted from our review of Oakview Elementary's monthly attendance summary totals for the first half of the year. The auditor selected the only school operating the program for the first semi-annual reporting period dated July to December 2015. The auditor reviewed monthly summaries noting multiple exceptions as noted above.

#### Effect

As a result of our testing, the District was not compliant with *Education Code* Section 8482.4(c) for the 2015-2016 fiscal year since the number of students served, as reported to the CDE, is overstated when compared to supporting records.

# OCEAN VIEW SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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### **Cause**

The attendance condition appears to have resulted from inconsistent procedures utilized to track student attendance. Furthermore, inadequate training appears to have been provided to substitute personnel responsible for completeness and accuracy of attendance reporting.

### **Recommendation**

For accurate attendance reporting, the District should review procedures used to report the number of students served to the CDE. Procedures for attendance should include an independent review of the sign out sheets, early release forms, monthly summaries, and semi-annual reports prior to submitting them to the CDE. Additionally, substitute employees responsible for record keeping should be adequately trained to ensure consistency of information reported.

### **Corrective Action Plan**

Ocean View School District operates the Growth Opportunities through Athletics Learning and Service (GOALS) program at Oak View School utilizing state After School Education and Safety (ASES) grant funds. GOALS is the contracted provider in which OVSD works closely on program implementation including procedures and processes.

Attendance collection and tracking procedures are in place. The attendance reporting error occurred due to a miscalculation when reviewing the records and reporting attendance for a semi-annual report. In the 4 years of operation of the grant this has not occurred previously. As a result the process for calculating the attendance will now include several checks of the data. The program director will review the data as well as clerical staff at the district office and the district grant coordinator prior to the submission of the state report. The coordinator has communicated with the involved staff of these added layers of accountability to ensure the error does not occur in future reporting.

**OCEAN VIEW SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board  
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, 2016, 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 October 25, 2016 on the government-wide financial statements of the District.

***INTERNAL CONTROL***

***Cash Receipts – General Fund***

Observation

Cash collected by school sites or departments is not always accounted for properly. Cash collections tested were not supported by sub-receipts or logs that tie the total to the cash count sheet. Four of 40 deposits tested did not have sufficient support or a paper trail; 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 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. 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 two of 40 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 15 to 21 days. Delay in cash deposits can increase the probability of theft, 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 attempt to make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

***Cash Receipts – Food Services***

Observation

Per review of the supporting documents pertaining to the District's Food Services local revenues, it was noted that for 20 of 40 deposits tested, the site staff performed the register close-out procedures alone. Not having a second person present during this process creates an opportunity for cash to be misappropriated.

Recommendation

It is recommended that the Food Services Department revise deposit close-out procedures to require two people to perform the close-out together, with both signing off on the cash count sheet to deter misappropriation of cash.

Observation

Based on the review of the procedures over Food Services local revenue, we noted 10 of 59 site deposits tested had a variance of +/- 25 dollars. The deposits from the sites were not accompanied by an explanation for such variances.

Recommendation

The Food Services Department should establish an allowable variance threshold, and any variances above that threshold should require an explanation. The site personnel preparing the deposit reconciliations should document the explanation and attach it to the deposit batch that is sent to the Food Services Department. This will allow the Food Services Department to identify incomplete deposits.

Observation

During our review of the cafeteria revolving and clearing 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.

Recommendation

The Food Services Department should consider implementing a procedure where a designated individual performs the reconciliation and an independent individual reviews the revolving and clearing bank reconciliations. 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.

***Cash Receipts – Child Care***

Observation

The Account Clerk currently performs the register close-out procedures alone. Not having a second person present during this process creates an opportunity for cash to be misappropriated.

Recommendation

It is recommended that the Child Care Department revise deposit close-out procedures to require two people to perform the close-out together and with both signing off on the cash count sheet to deter misappropriation of cash.

***Non-Payroll Disbursements***

Observation

During our review of the disbursement procedures, it was noted that three out of 40 transactions reviewed had an invoice date prior to the purchase order date, indicating that the purchase may have been made prior to receiving approval.

Recommendation

To strengthen internal controls over the purchasing function, purchase requisitions and/or purchase orders should be prepared prior to purchasing or ordering merchandise. All disbursements should receive approval as specified by the District's purchasing policies prior to the goods or services being ordered. This will allow District staff to ensure sufficient funds are available for each purchase.

Observation

During our review of the travel and conference disbursement procedures, it was noted that two of 24 travel and conference disbursements were not pre-approved. This could potentially lead to expenditures of questionable nature if disbursements are not pre-approved.

Recommendation

The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request and reimbursement form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

***Vacation Accrual***

Observation

During the review of the District's vacation accruals, the auditor tested 40 employees to test controls over vacation usage and accruals. Five of 40 employees tested had accrual balances higher than allotted by the collective bargaining contract agreement. The collective bargaining contract agreement allows for a carryover of 18 month's vacation 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.

***ASSOCIATED STUDENT BODY***

*Spring View Middle School*

Observation

Based on the review of the cash receipting procedures, it was noted that two of four deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 10 to 16 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Observation

Based on the review of fundraising events, it was noted that the one fundraising event tested was not approved prior to the event taking place.

Recommendation

The District should require all completed revenue potential forms to be forwarded to the school site administrator and ASB council. A third party review of completed revenue potential forms would ensure that the ASBs are adequately monitoring the profitability and accountability of their fundraising events. Review and approving the fundraising events is 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.

Observation

Based on the review of fundraising events, it was noted that a revenue potential form was not completed for the fundraiser noted above.

Governing Board  
Ocean View School District

Recommendation

All revenue potential forms must be completely filled out at the end of each fundraiser. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were, based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

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

VAORNEK, TIZINS, Day + QUP

Rancho Cucamonga, California  
October 25, 2016