



*"Equity and
Excellence"*

**OCEAN VIEW
SCHOOL DISTRICT**

ANNUAL FINANCIAL
REPORT

JUNE 30, 2015

OCEAN VIEW SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Ocean View School District
Huntington Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ocean View School District (the District) as of and for the year ended June 30, 2015, 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; the *2014-2015 Guide for Annual Audits of K-12 Local 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Ocean View School District, as of June 30, 2015, 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 1 and Note 18 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 required supplementary information, such as management's discussion and analysis on pages 5 through 15 and budgetary comparison, other postemployment benefits (OPEB) funding progress, District's proportionate share of the net pension liability, and District contributions on pages 68 through 71, respectively, 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 (Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*) 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 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 November 23, 2015, 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, TRINIS. Day + QUP

Rancho Cucamonga, California
November 23, 2015



Ocean View School District

17200 Pinehurst Lane,
Huntington Beach, CA 92647
Tel. 714 847-2551
Fax: 714 847-1430
Web: www.ovsd.org

Superintendent
Carol Hansen, Ed. D.

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

This section of Ocean View School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 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 *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the District operates like business, such as child care.
 - 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 year.

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.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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. In the District-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

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

Business-Type Activities

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

OCEAN VIEW SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

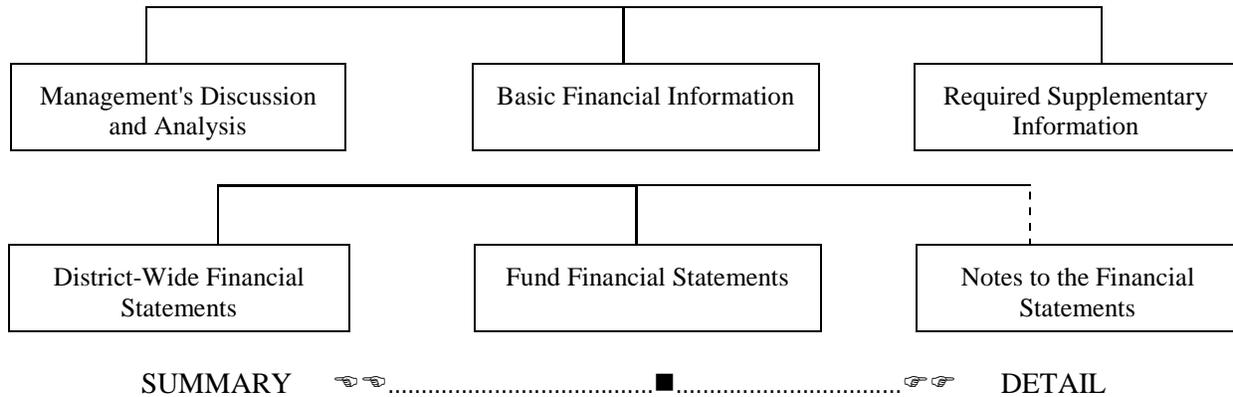
Type of Statements	District-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District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

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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

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



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

FINANCIAL HIGHLIGHTS

The District's financial status remains positive. The ending balance of the General Fund decreased \$2,840,100 between July 1, 2014 and June 30, 2015. 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 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.

The District continued to fund other capital projects as well as debt service on the 2010 Refunding COP and the 2014 Modernization 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 \$341,949 or 1.3 percent. This increase is primarily due to actuarial valuation associated with other postemployment benefits (OPEB).

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was \$(3,025,227) for the fiscal year ended June 30, 2015. Of this amount, \$(77,307,013) 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 and business-type activities.

Table 1

	Governmental Activities		Business-Type Activities		School District Activities	
	2015	2014 as restated	2015	2014	2015	2014 as restated
Assets						
Current and other assets	\$ 37,622,870	\$ 44,585,782	\$ 1,343,960	\$ 1,272,445	\$ 38,966,830	\$ 45,858,227
Capital assets	70,046,212	52,476,226	1,037,203	1,081,211	71,083,415	53,557,437
Total Assets	107,669,082	97,062,008	2,381,163	2,353,656	110,050,245	99,415,664
Deferred Outflows of Resources	5,150,934	-	-	-	5,150,934	-
Liabilities						
Current liabilities	10,016,827	13,120,876	304,425	255,486	10,321,252	13,376,362
Long-term obligations	26,097,527	25,741,578	56,000	70,000	26,153,527	25,811,578
Aggregate net pension liability	64,382,702	76,140,003	-	-	64,382,702	76,140,003
Total Liabilities	100,497,056	115,002,457	360,425	325,486	100,857,481	115,327,943
Deferred Inflows of Resources	18,536,760	-	-	-	18,536,760	-
Net Position						
Net investments in capital assets	54,973,092	36,348,855	981,203	1,011,211	55,954,295	37,360,066
Restricted	17,287,956	18,328,690	1,039,535	1,016,959	18,327,491	19,345,649
Unrestricted	(78,474,848)	(72,617,994)	-	-	(78,474,848)	(72,617,994)
Total Net Position	\$ (6,213,800)	\$ (17,940,449)	\$ 2,020,738	\$ 2,028,170	\$ (4,193,062)	\$ (15,912,279)

The \$(78,474,848) in unrestricted net position of governmental and business-type activities represents the accumulated results of all past years' operations.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Change in Net Position

The District's total revenues were \$110,692,547 and total expenses were \$94,767,879. Table 2 presents total revenues and total expenses for governmental activities and business-type activities by category.

Table 2

	Governmental Activities		Business-Type Activities		School District Activities	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 802,574	\$ 973,690	\$ 1,698,049	\$ 1,774,818	\$ 2,500,623	\$ 2,748,508
Operating grants and contributions	14,855,375	16,102,361	813,723	720,342	15,669,098	16,822,703
Capital grants and contributions	23,325,507	4,247	-	-	23,325,507	4,247
General revenues:						
Federal and State aid not restricted	30,248,244	26,330,117	-	-	30,248,244	26,330,117
Property taxes	33,882,980	33,302,098	-	-	33,882,980	33,302,098
Other general revenues	5,060,264	7,357,609	5,831	3,946	5,066,095	7,361,555
Total Revenues	108,174,944	84,070,122	2,517,603	2,499,106	110,692,547	86,569,228
Expenses						
Instruction-related	61,728,636	59,690,429	2,525,035	2,287,385	64,253,671	61,977,814
Student support services	7,695,640	7,138,441	-	-	7,695,640	7,138,441
Administration	5,681,728	4,440,682	-	-	5,681,728	4,440,682
Plant services	15,829,233	8,134,341	-	-	15,829,233	8,134,341
Other	3,832,642	3,461,032	-	-	3,832,642	3,461,032
Total Expenses	94,767,879	82,864,925	2,525,035	2,287,385	97,292,914	85,152,310
Change in						
Net Position	\$ 13,407,065	\$ 1,205,197	\$ (7,432)	\$ 211,721	\$ 13,399,633	\$ 1,416,918

Property taxes and State formula aid accounted for 59 percent of the revenue from governmental activities. Another 35 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 (73 percent). The purely administrative activities of the District accounted for six percent of total costs. Total revenues surpassed expenses, increasing net position by \$13,407,065 from last year.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Governmental Activities

Table 3 presents the costs of five major District activities: instruction-related activities, student support 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 \$94,767,879.

- Some of the cost was financed by the users of the District's programs (\$802,574).
- The Federal and State governments subsidized certain programs with operating grants and contributions (\$14,855,375) and capital grants and contributions of (\$23,325,507).
- Most of the District's costs, however, were financed by District taxpayers and the taxpayers of our State (\$64,131,224). 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	
	2015	2014	2015	2014
Instruction-related activities	\$ 61,728,636	\$ 59,690,429	\$ 26,788,310	\$ 46,937,070
Student support services	7,695,640	7,138,441	4,210,638	3,454,355
Administration	5,681,728	4,440,682	5,268,061	3,931,323
Plant services	15,829,233	8,134,341	15,777,547	8,085,390
Other	3,832,642	3,461,032	3,739,867	3,376,489
Total	\$ 94,767,879	\$ 82,864,925	\$ 55,784,423	\$ 65,784,627

Business-Type Activities

Revenues of the District's business-type activities were \$2,517,603, and expenses were \$2,525,035.

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, 2015

The District has three kinds of funds:

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

Proprietary funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

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 2014-2015, the General Fund had revenues of \$78,160,907, and expenses of \$81,001,007. The General Fund balance decreased by \$2,840,100 or 3.5 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 \$27,693,046.

Table 4

	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 11,965,636	\$ 78,160,907	\$ 81,001,007	\$ 9,125,536
County School Facilities Fund	10,331,231	26,744,716	25,449,903	11,626,044
Cafeteria Fund	1,471,566	2,800,337	2,498,482	1,773,421
Capital Facilities Fund	4,807,792	1,281,260	2,905,016	3,184,036
Special Reserve Fund for Capital Outlay Projects	2,957,644	2,167,591	3,141,226	1,984,009
Debt Service Fund	-	1,503,168	1,503,168	-
Total	\$ 31,533,869	\$ 112,657,979	\$ 116,498,802	\$ 27,693,046

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Proprietary Funds

The Child Care Fund had a decrease in net position of \$7,432, resulting in an ending balance of \$2,020,738 during the 2014-2015 year. The ending balance is a combination of funds from the State funded preschool program and the District sponsored before and after school child care program. The ending balances are available to enhance the respective programs and provide a reserve for increased costs.

Fiduciary Funds

The Associated Student Body funds ended the year with assets of \$233,227, consisting of \$200,532 in bank deposits and \$32,695 in stores inventories, and with liabilities of \$41,429 and \$191,798 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).
- Adjustments to 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 2014-2015, the District invested in a broad range of capital assets. These assets included the purchase of 13 smart boards paid from Common Core State Standards funds. A play structure was installed at Westmont Elementary from the Child Care Fund. A replacement shade structure was installed at Golden View Elementary. Technology infrastructure additions included web filtering appliances, ports and a transmitter continuing the process of creating a wireless tech environment. The Food Services Department added a spot filler machine and a freezer. Duplicators were purchased for Mesa View and Circle View, a console at Marine View and a marquee at Village View, all with donated funds. Sun View installed a new microphone system. Three vision screeners were purchased with MediCal Reimbursement funds. A new flagpole was added to the District Office grounds.

Work to replace the failed floors in the four middle school gymnasiums began in 2013-2014 was completed at the beginning of 2014-2015. The construction phase of the District's Modernization Program continued at eleven school sites in 2014-2015. Asbestos abatement and reconstruction at Hope View, Oak View and Lake View was a priority in 2014-2015.

OCEAN VIEW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Total depreciation expense for the year exceeded \$2.9 million.

Long-Term Obligations

At year-end, the District had \$26,153,527 in long-term obligations outstanding as shown in Table 5. The District continues to report its Other Postemployment Benefits (OPEB) obligation as required by GASB Statement No. 45 which began in 2008-2009. Table 5 also shows a premium on Certificates of Participation (COP) as a result of the refunding of the 2002 Certificates of Participation during the 2009-2010 fiscal year and the issue of the 2014 Certificates of Participation during the 2013-2014 fiscal year.

Table 5

	Governmental Activities		Business-Type Activities		School District Activities	
	2015	2014	2015	2014	2015	2014
Certificates of participation	\$ 14,725,000	\$ 15,720,000	\$ -	\$ -	\$ 14,725,000	\$ 15,720,000
Premium on certificates of participation	291,604	325,852	-	-	291,604	325,852
Compensated absences	598,297	623,281	-	-	598,297	623,281
Capitalized lease obligations	56,516	81,519	56,000	70,000	112,516	151,519
Other postemployment benefits	10,426,110	8,990,926	-	-	10,426,110	8,990,926
Total	\$ 26,097,527	\$ 25,741,578	\$ 56,000	\$ 70,000	\$ 26,153,527	\$ 25,811,578

- The liability for compensated absences decreased by \$24,984.
- The liability for other postemployment benefits increased by \$1,435,184.

Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$64,382,702, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 2014-2015 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, 2015

After the commencement of the modernization projects in July of 2014, asbestos was discovered in three of eleven schools being modernized. The decision was made to fully abate the asbestos resulting in the temporary closure of three school sites. The District secured space at three local school districts to serve as temporary school sites, which resulted in transporting 1,600 students to the cities of Buena Park and Westminster. Accordingly, the District incurred unanticipated expenses for transportation, the leasing of sites, furniture and instructional materials along with the cost of testing, cleaning, and abating the three schools. The District is working with the County Office of Education to secure emergency funding from the State of California and is pursuing all other avenues of funding sources for this hardship.

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 32,711,253	\$ 1,431,658	\$ 34,142,911
Receivables	4,573,480	40,431	4,613,911
Internal balances	128,129	(128,129)	-
Stores inventories	210,008	-	210,008
Total Current Assets	37,622,870	1,343,960	38,966,830
Capital Assets:			
Land and construction in progress	35,167,080	-	35,167,080
Other capital assets	90,608,560	1,823,342	92,431,902
Less: Accumulated depreciation	(55,729,428)	(786,139)	(56,515,567)
Total Capital Assets	70,046,212	1,037,203	71,083,415
Total Assets	107,669,082	2,381,163	110,050,245
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension contribution	5,150,934	-	5,150,934
LIABILITIES			
Accounts payable	9,743,986	261,784	10,005,770
Accrued interest	87,003	-	87,003
Unearned revenue	185,838	42,641	228,479
Current portion of long-term obligations other than pensions	1,035,825	14,000	1,049,825
Noncurrent portion of long-term obligations other than pensions	25,061,702	42,000	25,103,702
Total Long-Term Obligations	26,097,527	56,000	26,153,527
Aggregate net pension liability	64,382,702	-	64,382,702
Total Liabilities	100,497,056	360,425	100,857,481
DEFERRED INFLOWS OF RESOURCES			
Net change in proportionate share of net pension liability	1,167,835	-	1,167,835
Difference between projected and actual earnings on pension plan investments	17,368,925	-	17,368,925
Total Deferred Inflows of Resources	18,536,760	-	18,536,760
NET POSITION			
Net investments in capital assets	54,973,092	981,203	55,954,295
Restricted for:			
Capital projects	14,891,920	-	14,891,920
Educational programs	752,202	-	752,202
Other activities	1,643,834	1,039,535	2,683,369
Unrestricted	(78,474,848)	-	(78,474,848)
Total Net Position	\$ (6,213,800)	\$ 2,020,738	\$ (4,193,062)

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

OCEAN VIEW SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 53,386,446	\$ 5,348	\$ 10,543,899	\$ 23,325,507
Instruction-related activities:				
Supervision of instruction	2,203,805	3,235	773,769	-
Instructional library, media, and technology	1,219,460	-	1,237	-
School site administration	4,918,925	1,260	286,071	-
Pupil services:				
Home-to-school transportation	2,514,185	-	-	-
Food services	2,428,302	747,780	1,762,831	-
All other pupil services	2,753,153	3,308	971,083	-
Administration:				
Data processing	1,158,379	-	-	-
All other administration	4,523,349	41,643	372,024	-
Plant services	15,829,233	-	51,686	-
Ancillary services	63,259	-	1,633	-
Community services	70,160	-	-	-
Interest on long-term obligations	495,952	-	-	-
Other outgo	370,235	-	91,142	-
Depreciation (unallocated) ¹	2,833,036	-	-	-
Total Governmental Activities	94,767,879	802,574	14,855,375	23,325,507
Business-Type Activities:				
Child care services	2,525,035	1,698,049	813,723	-
Total Business-Type Activities	2,525,035	1,698,049	813,723	-
Total School District	\$ 97,292,914	\$ 2,500,623	\$ 15,669,098	\$ 23,325,507

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

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

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

**Net (Expenses) Revenues and
Changes in Net Assets**

Governmental Activities	Business- Type Activities	Total
\$ (19,511,692)	\$ -	\$ (19,511,692)
(1,426,801)	-	(1,426,801)
(1,218,223)	-	(1,218,223)
(4,631,594)	-	(4,631,594)
(2,514,185)	-	(2,514,185)
82,309	-	82,309
(1,778,762)	-	(1,778,762)
(1,158,379)	-	(1,158,379)
(4,109,682)	-	(4,109,682)
(15,777,547)	-	(15,777,547)
(61,626)	-	(61,626)
(70,160)	-	(70,160)
(495,952)	-	(495,952)
(279,093)	-	(279,093)
(2,833,036)	-	(2,833,036)
<u>(55,784,423)</u>	<u>-</u>	<u>(55,784,423)</u>
-	(13,263)	(13,263)
-	(13,263)	(13,263)
<u>(55,784,423)</u>	<u>(13,263)</u>	<u>(55,797,686)</u>
33,892,975	-	33,892,975
(9,995)	-	(9,995)
30,248,244	-	30,248,244
94,980	5,831	100,811
<u>4,965,284</u>	<u>-</u>	<u>4,965,284</u>
<u>69,191,488</u>	<u>5,831</u>	<u>69,197,319</u>
13,407,065	(7,432)	13,399,633
<u>(19,620,865)</u>	<u>2,028,170</u>	<u>(17,592,695)</u>
<u>\$ (6,213,800)</u>	<u>\$ 2,020,738</u>	<u>\$ (4,193,062)</u>

OCEAN VIEW SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 9,279,665	\$ 16,920,435	\$ 6,511,153	\$ 32,711,253
Receivables	3,884,969	6,613	681,898	4,573,480
Due from other funds	283,925	-	112	284,037
Stores inventories	81,421	-	128,587	210,008
Total Assets	<u>\$ 13,529,980</u>	<u>\$ 16,927,048</u>	<u>\$ 7,321,750</u>	<u>\$ 37,778,778</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,275,402	\$ 5,301,004	\$ 167,580	\$ 9,743,986
Due to other funds	6,116	-	149,792	155,908
Unearned revenue	122,926	-	62,912	185,838
Total Liabilities	<u>4,404,444</u>	<u>5,301,004</u>	<u>380,284</u>	<u>10,085,732</u>
Fund Balances:				
Nonspendable	131,421	-	129,587	261,008
Restricted	752,202	11,626,044	4,909,710	17,287,956
Assigned	5,864,237	-	1,902,169	7,766,406
Unassigned	2,377,676	-	-	2,377,676
Total Fund Balances	<u>9,125,536</u>	<u>11,626,044</u>	<u>6,941,466</u>	<u>27,693,046</u>
Total Liabilities and Fund Balances	<u>\$ 13,529,980</u>	<u>\$ 16,927,048</u>	<u>\$ 7,321,750</u>	<u>\$ 37,778,778</u>

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

OCEAN VIEW SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds	\$ 27,693,046
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 125,775,640
Accumulated depreciation is:	<u>(55,729,428)</u>
Net Capital Assets	70,046,212
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	5,150,934
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.	(87,003)
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 remaining service life of members receiving pension benefits.	(1,167,835)
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.	(17,368,925)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(64,382,702)
Long-term obligations at year-end consist of:	
Certificates of participation	(14,725,000)
Premium on certificates of participation	(291,604)
Compensated absences	(598,297)
Capital lease obligations	(56,516)
Other postemployment benefits (OPEB)	<u>(10,426,110)</u>
Total Long-Term Obligations	<u>(26,097,527)</u>
Total Net Position - Governmental Activities	<u><u>\$ (6,213,800)</u></u>

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, 2015

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 62,058,200	\$ -	\$ -	\$ 62,058,200
Federal sources	3,848,803	-	1,869,809	5,718,612
Other State sources	4,936,339	23,224,957	136,214	28,297,510
Other local sources	7,317,565	100,550	4,243,165	11,661,280
Total Revenues	<u>78,160,907</u>	<u>23,325,507</u>	<u>6,249,188</u>	<u>107,735,602</u>
EXPENDITURES				
Current				
Instruction	52,457,974	-	-	52,457,974
Instruction-related activities:				
Supervision of instruction	2,172,091	-	-	2,172,091
technology	1,179,234	-	-	1,179,234
School site administration	4,809,670	-	-	4,809,670
Pupil services:				
Home-to-school transportation	2,418,717	-	-	2,418,717
Food services	1,010	-	2,376,205	2,377,215
All other pupil services	2,673,908	-	-	2,673,908
Administration:				
Data processing	1,147,911	-	-	1,147,911
All other administration	4,246,761	-	168,781	4,415,542
Plant services	9,430,968	522,331	188,067	10,141,366
Facility acquisition and construction	-	24,927,572	889,294	25,816,866
Ancillary services	63,025	-	-	63,025
Community services	508	-	-	508
Other outgo	370,235	-	-	370,235
Debt service				
Principal	25,003	-	995,000	1,020,003
Interest and other	3,992	-	508,168	512,160
Total Expenditures	<u>81,001,007</u>	<u>25,449,903</u>	<u>5,125,515</u>	<u>111,576,425</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(2,840,100)</u>	<u>(2,124,396)</u>	<u>1,123,673</u>	<u>(3,840,823)</u>
Other Financing Sources (Uses)				
Transfers in	-	3,419,209	1,503,168	4,922,377
Transfers out	-	-	(4,922,377)	(4,922,377)
Net Financing Sources (Uses)	<u>-</u>	<u>3,419,209</u>	<u>(3,419,209)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(2,840,100)</u>	<u>1,294,813</u>	<u>(2,295,536)</u>	<u>(3,840,823)</u>
Fund Balances - Beginning	<u>11,965,636</u>	<u>10,331,231</u>	<u>9,237,002</u>	<u>31,533,869</u>
Fund Balances - Ending	<u>\$ 9,125,536</u>	<u>\$ 11,626,044</u>	<u>\$ 6,941,466</u>	<u>\$ 27,693,046</u>

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

OCEAN VIEW SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (3,840,823)
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	\$ 20,405,473
Depreciation expense	<u>(2,833,036)</u>
Net Expense Adjustment	17,572,437
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	
	(2,451)
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.	
	(1,435,184)
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 less than the amounts used by \$24,984.	
	24,984
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.	
	51,891
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	995,000
Capital lease obligations	25,003

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, 2015

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

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 \$18,040.

(18,040)

Change in Net Position of Governmental Activities

\$ 13,407,065

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

OCEAN VIEW SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Business-Type Activities</u> <u>Child Care</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 1,431,658
Receivables	40,431
Due from other funds	6,004
Total Current Assets	<u>1,478,093</u>
Noncurrent Assets	
Capital assets	1,823,342
Less: Accumulated depreciation	(786,139)
Total Noncurrent Assets	<u>1,037,203</u>
Total Assets	<u>2,515,296</u>
LIABILITIES	
Current Liabilities	
Accounts payable	261,784
Due to other funds	134,133
Unearned revenue	42,641
Current portion of long-term obligations	14,000
Total Current Liabilities	<u>452,558</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>42,000</u>
NET POSITION	
Net investment in capital assets	981,203
Restricted	1,039,535
Total Net Position	<u>\$ 2,020,738</u>

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

OCEAN VIEW SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities Child Care
OPERATING REVENUES	
Charges for services	\$ 1,698,049
OPERATING EXPENSES	
Payroll costs	2,080,471
Professional and contract services	120,852
Supplies and materials	115,167
Facility rental	5,960
Other operating costs	129,575
Depreciation	73,009
Total Operating Expenses	2,525,034
Operating Loss	(826,985)
NONOPERATING REVENUES	
Interest income	5,830
Grants	813,723
Total Nonoperating Revenues	819,553
Change in Net Position	(7,432)
Total Net Position - Beginning	2,028,170
Total Net Position - Ending	\$ 2,020,738

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

OCEAN VIEW SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Business-Type Activities</u>
	<u>Child Care</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,691,717
Cash payments to suppliers for goods and services	(2,059,975)
Cash payments to employees for services	(218,757)
Other operating cash payments	(129,575)
Net Cash Used by Operating Activities	<u>(716,590)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Non-operating grants received	<u>840,854</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital lease	(14,000)
Acquisition of capital assets	(29,001)
Net Cash Used by Capital and Related Financing Activities	<u>(43,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>5,830</u>
Net Increase in Cash and Cash Equivalents	87,093
Cash and Cash Equivalents - Beginning	1,344,565
Cash and Cash Equivalents - Ending	<u>\$ 1,431,658</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (826,985)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	73,009
Changes in assets and liabilities:	
Accounts receivable	(4,189)
Due from other funds	(5,169)
Accounts payable	51,082
Due to other funds	(2,195)
Unearned revenue	(2,143)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (716,590)</u>

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

OCEAN VIEW SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

	<u>Agency Funds</u> <u>Student Funds</u>
ASSETS	
Deposits and investments	\$ 200,532
Stores inventories	32,695
Total Assets	<u>\$ 233,227</u>
LIABILITIES	
Accounts payable	\$ 41,429
Due to student groups	191,798
Total Liabilities	<u>\$ 233,227</u>

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

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 three broad fund categories: governmental, proprietary, and fiduciary.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 \$1,117,360, \$3,278, \$1,114,082, and \$2,826, respectively, and a decrease in expenditures and other uses of \$257,825.

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.).

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.

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).

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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).

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).

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.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the child care program of the District.

Fiduciary Funds Fiduciary 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.

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

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The enterprise fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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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.

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.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

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Investments

Investments held at June 30, 2015, 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 capital assets are the same as those used for the capital assets of governmental funds.

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

Interfund Balances

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

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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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 the current year pension contributions and for the unamortized amount on net change in proportionate share of net pension liability.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

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, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 \$17,287,956 of restricted net position, which is restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

OCEAN VIEW SCHOOL DISTRICT

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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 June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

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- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$77,820,419. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

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

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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.

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 requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

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. 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.

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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*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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.

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The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 32,711,253
Business-type activities	1,431,658
Fiduciary funds	200,532
Total Deposits and Investments	<u>\$ 34,343,443</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 232,794
Cash in revolving	51,000
Investments	34,059,649
Total Deposits and Investments	<u>\$ 34,343,443</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, 2015

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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 \$34,059,649 with the Orange County Treasury Investment Pool with a fair market value of approximately \$34,080,614. The investment has an average weighted maturity of 519 days.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015.

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, 2015, the District's bank balances were within the Federally insured limits.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Federal Government					
Categorical aid	\$ 1,592,855	\$ -	\$ 535,450	\$ 2,128,305	\$ -
State Government					
LCFF apportionment	15,824	-	-	15,824	-
Categorical aid	868,126	-	41,172	909,298	24,550
Lottery	800,172	-	-	800,172	-
Local Government					
Interest	9,938	6,613	2,410	18,961	537
Other Local Sources	598,054	-	102,866	700,920	15,344
Total	<u>\$ 3,884,969</u>	<u>\$ 6,613</u>	<u>\$ 681,898</u>	<u>\$ 4,573,480</u>	<u>\$ 40,431</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 10,554,104	\$ -	\$ -	\$ 10,554,104
Construction in process	6,099,160	20,083,934	1,570,118	24,612,976
Total Capital Assets Not Being Depreciated	<u>16,653,264</u>	<u>20,083,934</u>	<u>1,570,118</u>	<u>35,167,080</u>
Capital Assets Being Depreciated				
Land improvements	7,173,759	-	-	7,173,759
Buildings and improvements	66,854,655	1,570,118	-	68,424,773
Furniture and equipment	14,699,863	321,539	11,374	15,010,028
Total Capital Assets Being Depreciated	<u>88,728,277</u>	<u>1,891,657</u>	<u>11,374</u>	<u>90,608,560</u>
Less Accumulated Depreciation				
Land improvements	6,338,069	72,378	-	6,410,447
Buildings and improvements	35,165,456	2,025,690	-	37,191,146
Furniture and equipment	11,401,790	734,968	8,923	12,127,835
Total Accumulated Depreciation Governmental Activities Capital Assets, Net	<u>\$ 52,905,315</u>	<u>2,833,036</u>	<u>8,923</u>	<u>\$ 55,729,428</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 1,764,580	\$ -	\$ -	\$ 1,764,580
Furniture and equipment	29,761	29,001	-	58,762
Total Capital Assets Being Depreciated	<u>1,794,341</u>	<u>29,001</u>	<u>-</u>	<u>1,823,342</u>
Less Accumulated Depreciation				
Buildings and improvements	688,281	70,360	-	758,641
Furniture and equipment	24,849	2,649	-	27,498
Total Accumulated Depreciation Business-Type Activities Capital Assets, Net	<u>\$ 713,130</u>	<u>73,009</u>	<u>-</u>	<u>786,139</u>
	<u>\$ 1,081,211</u>	<u>\$ (44,008)</u>	<u>\$ -</u>	<u>\$ 1,037,203</u>

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

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds, and non-major enterprise funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Child Care Enterprise Fund	
General Fund	\$ -	\$ 149,792	\$ 134,133	\$ 283,925
Non-Major Governmental Funds	112	-	-	112
Child Care Enterprise Fund	6,004	-	-	6,004
Total	<u>\$ 6,116</u>	<u>\$ 149,792</u>	<u>\$ 134,133</u>	<u>\$ 290,041</u>

A balance of \$129,575 is due from the Child Care Enterprise Fund to the General Fund for indirect costs. \$ 129,575

A balance of \$4,558 is due from the Child Care Enterprise Fund to the General Fund for payroll, benefits and other operating expenditures. 4,558

A balance of \$122,278 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for indirect costs. 122,278

A balance of \$27,514 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures. 27,514

A balance of \$6,004 is due from the General Fund to the Child Care Enterprise Fund for payroll, benefits and other operating expenditures. 6,004

A balance of \$112 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for payroll, benefits and other operating expenditures. 112

\$ 290,041

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Transfer To</u>	<u>Transfer From Non-Major Governmental Funds</u>
County School Facilities Fund	\$ 3,419,209
Non-Major Governmental Funds	1,503,168
Total	<u>\$ 4,922,377</u>
The Capital Facilities Non-Major Governmental Fund transferred to the County School Facilities Fund for modernization projects.	\$ 2,719,209
The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred to the County School Facilities Fund for modernization projects.	700,000
The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for the debt service payments.	1,503,168
Total	<u>\$ 4,922,377</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund	Fiduciary Funds
Salaries and benefits	\$ 3,276,129	\$ -	\$ 120,674	\$ 3,396,803	\$ 229,653	\$ -
Materials and supplies	393,714	-	44,530	438,244	226	-
Services	592,514	1,784,373	2,376	2,379,263	2,904	-
Construction	470	3,516,631	-	3,517,101	29,001	-
Other vendor payables	12,575	-	-	12,575	-	41,429
Total	<u>\$ 4,275,402</u>	<u>\$ 5,301,004</u>	<u>\$ 167,580</u>	<u>\$ 9,743,986</u>	<u>\$ 261,784</u>	<u>\$ 41,429</u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Federal financial assistance	\$ 120,276	\$ -	\$ 120,276	\$ -
Other local	2,650	62,912	65,562	42,641
Total	<u>\$ 122,926</u>	<u>\$ 62,912</u>	<u>\$ 185,838</u>	<u>\$ 42,641</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
Governmental Activities					
Certificates of participation	\$ 15,720,000	\$ -	\$ 995,000	\$ 14,725,000	\$ 1,020,000
Premium on certificates of participation	325,852	-	34,248	291,604	-
Compensated absences	623,281	-	24,984	598,297	-
Capital leases	81,519	-	25,003	56,516	15,825
Other postemployment benefits	8,990,926	2,106,425	671,241	10,426,110	-
	<u>\$ 25,741,578</u>	<u>\$ 2,106,425</u>	<u>\$ 1,750,476</u>	<u>\$ 26,097,527</u>	<u>\$ 1,035,825</u>
Business-Type Activities					
Capital leases	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 14,000</u>	<u>\$ 56,000</u>	<u>\$ 14,000</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 Care Enterprise Fund. The accrued vacation will be paid by the fund for which the employee worked. Other postemployment benefits are paid by the General Fund.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, the outstanding balance on the 2010 Refunding Certificates of Participation was \$4,410,000. As of June 30, 2015, the unamortized premium received on issuance amounted to \$170,783.

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 will be used to finance the modernization of certain District schools and pay certain costs of issuance of the Certificates. As of June 30, 2015, the outstanding balance on the 2014 Certificates of Participation was \$10,315,000. As of June 30, 2015, the unamortized premium received on issuance amounted to \$120,821.

The 2010 and 2014 certificates mature through June 1, 2029, as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,020,000	\$ 489,750	\$ 1,509,750
2017	1,065,000	454,538	1,519,538
2018	1,100,000	416,238	1,516,238
2019	1,155,000	376,638	1,531,638
2020	1,210,000	335,138	1,545,138
2021-2025	5,280,000	1,073,262	6,353,262
2026-2029	3,895,000	320,475	4,215,475
Total	<u>\$ 14,725,000</u>	<u>\$ 3,466,039</u>	<u>\$ 18,191,039</u>

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2015, amounted to \$598,297.

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Capital Leases

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

Governmental Activities

	<u>Equipment</u>
Balance, Beginning of Year	\$ 90,442
Payments	(28,903)
Balance, End of Year	<u>\$ 61,539</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2016	\$ 18,295
2017	19,958
2018	19,958
2019	3,328
Total	<u>61,539</u>
Less: Amount Representing Interest	<u>(5,023)</u>
Present Value of Minimum Lease Payments	<u>\$ 56,516</u>

Business-Type Activities

	<u>Modulars</u>
Balance, Beginning of Year	\$ 70,000
Payments	(14,000)
Balance, End of Year	<u>\$ 56,000</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2016	\$ 14,000
2017	14,000
2018	14,000
2019	14,000
Total	<u>\$ 56,000</u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$2,227,656, and contributions made by the District during the year were \$671,241. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$449,546 and \$(570,777), respectively, which resulted in an increase to the net OPEB obligation of \$1,435,184. As of June 30, 2015, the net OPEB obligation was \$10,426,110. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ -	\$ 1,000	\$ 51,000
Stores inventories	81,421	-	128,587	210,008
Total Nonspendable	<u>131,421</u>	<u>-</u>	<u>129,587</u>	<u>261,008</u>
Restricted				
Legally restricted programs	752,202	-	1,643,834	2,396,036
Capital projects	-	11,626,044	3,265,876	14,891,920
Total Restricted	<u>752,202</u>	<u>11,626,044</u>	<u>4,909,710</u>	<u>17,287,956</u>
Assigned				
Site carryover	953,451	-	-	953,451
Health benefits pool	443,788	-	-	443,788
Tier III programs	368,832	-	-	368,832
Reserve for negotiated settlements	600,000	-	-	600,000
Reserve for ACA liabilities	100,000	-	-	100,000
Reserve for textbook carryover	400,000	-	-	400,000
Emergency reserve	1,884,084	-	-	1,884,084
Capital projects	1,048,205	-	1,902,169	2,950,374
Other assignments	65,877	-	-	65,877
Total Assigned	<u>5,864,237</u>	<u>-</u>	<u>1,902,169</u>	<u>7,766,406</u>
Unassigned				
Reserve for economic uncertainties	2,377,676	-	-	2,377,676
Total Unassigned	<u>2,377,676</u>	<u>-</u>	<u>-</u>	<u>2,377,676</u>
Total	<u>\$ 9,125,536</u>	<u>\$ 11,626,044</u>	<u>\$ 6,941,466</u>	<u>\$ 27,693,046</u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the District's General Fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	<u>Budget</u>	<u>Actual*</u>	<u>Excess</u>
General Fund	<u>\$ 80,981,723</u>	<u>\$ 81,001,007</u>	<u>\$ 19,284</u>

* Total actual expenditures include on behalf payments of \$2,103,478.

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:

<u>Year Ending June 30,</u>	<u>Lease Revenue</u>
2016	\$ 2,190,979
2017	1,341,094
2018	1,361,909
2019	1,029,962
2020	1,029,962
2021-2025	4,793,637
2026-2030	2,600,000
2031-2035	2,790,625
2036-2040	2,975,000
2041-2044	3,165,625
Thereafter	16,076,250
Total	<u>\$ 39,355,043</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 242 retirees and beneficiaries currently receiving benefits, 10 terminated Plan members entitled to but not yet receiving benefits, and 599 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 2014-2015, the District contributed \$671,241 to the Plan, all of which was used for current premiums (approximately 55 percent of total premiums). Plan members receiving benefits contributed \$550,969, or approximately 45 percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,227,656
Interest on net OPEB obligation	449,546
Adjustment to annual required contribution	(570,777)
Annual OPEB cost (expense)	<u>2,106,425</u>
Contributions made	<u>(671,241)</u>
Increase in net OPEB obligation	1,435,184
Net OPEB obligation, beginning of year	8,990,926
Net OPEB obligation, end of year	<u><u>\$ 10,426,110</u></u>

OCEAN VIEW SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 2,622,926	\$ 1,212,680	46%	\$ 7,573,706
2014	2,032,097	614,877	30%	8,990,926
2015	2,106,425	671,241	32%	10,426,110

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2013	\$ -	\$ 18,022,562	\$ 18,022,562	0%	\$ 53,383,931	34%

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In the July 1, 2013 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, 2015, was 24 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, 2015, the District contracted with Southern Orange County Property/Liability Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Worker's Compensation

For fiscal year 2015, 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 48,824,373	\$ 3,367,693	\$ 12,022,909	\$ 4,215,120
CalPERS	15,558,329	1,783,241	6,513,851	1,382,818
Total	<u>\$ 64,382,702</u>	<u>\$ 5,150,934</u>	<u>\$ 18,536,760</u>	<u>\$ 5,597,938</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after 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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

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, 2015, are presented above and the District's total contributions were \$3,367,693.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

At June 30, 2015, 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:

District's proportionate share of net pension liability	\$ 48,824,373
State's proportionate share of the net pension liability associated with the District	<u>29,482,264</u>
Total	<u><u>\$ 78,306,637</u></u>

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.0836 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$4,215,120. In addition, the District recognized revenue and pension expense of \$2,545,271 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,367,693	\$ -
Difference between projected and actual earnings on pension plan investments	-	12,022,909
Total	<u><u>\$ 3,367,693</u></u>	<u><u>\$ 12,022,909</u></u>

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2016	\$ 3,005,728
2017	3,005,727
2018	3,005,727
2019	3,005,727
Total	<u><u>\$ 12,022,909</u></u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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.

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' 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 independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 76,104,428
Current discount rate (7.60%)	48,824,373
1% increase (8.60%)	26,077,765

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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. 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>.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

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, 2015, are presented above and the total District contributions were \$1,783,241.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,558,329. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.1370 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$ 1,382,818. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,783,241	\$ -
Net change in proportionate share of net pension liability	-	1,167,835
Difference between projected and actual earnings on pension plan investments	-	5,346,016
Total	<u>\$ 1,783,241</u>	<u>\$ 6,513,851</u>

The deferred outflow 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 year ended June 30, 2016.

The deferred inflows of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	\$ 389,278
2017	389,278
2018	389,279
Total	<u>\$ 1,167,835</u>

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

Year Ended June 30,	Amortization
2016	\$ 1,336,504
2017	1,336,504
2018	1,336,504
2019	1,336,504
Total	<u>\$ 5,346,016</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 76,104,428
Current discount rate (7.60%)	48,824,373
1% increase (8.60%)	26,077,765

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 \$2,103,478 (5.679 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 excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 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, 2015.

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, 2015

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Southern Orange County Property/Liability Joint Powers Authority, the Western Orange County Self-Funded Workers' Compensation Agency, South Counties Employer Employee Trust, and the Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority public entity risk pools. The District pays an annual premium to each entity for its property/liability, workers' compensation, and 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.

OCEAN VIEW SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, the District made payments of \$535,648, \$895,938, \$6,195,605, and \$1,060,229 to Southern Orange County Property/Liability Joint Powers Authority, 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.

NOTE 17 - SUBSEQUENT EVENTS

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 of June 1, 2030. Proceeds from the sale of the certificates will be used to finance the modernization of certain school sites and pay certain costs of issuance of the certificates.

NOTE 18 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 58,199,554
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(82,536,663)
Inclusion of deferred outflow of resources from the adoption of GASB Statement No. 68	<u>4,716,244</u>
Net Position - Beginning as Restated	<u><u>\$ (19,620,865)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 61,518,701	\$ 62,018,326	\$ 62,058,200	\$ 39,874
Federal sources	3,821,108	4,038,729	3,848,803	(189,926)
Other State sources	2,187,941	2,719,865	4,936,339	2,216,474
Other local sources	6,090,029	6,698,379	7,317,565	619,186
Total Revenues ¹	<u>73,617,779</u>	<u>75,475,299</u>	<u>78,160,907</u>	<u>2,685,608</u>
EXPENDITURES				
Current				
Certificated salaries	38,086,910	38,465,240	38,481,109	(15,869)
Classified salaries	14,466,347	15,108,984	15,227,927	(118,943)
Employee benefits	12,653,715	13,221,922	15,014,894	(1,792,972)
Books and supplies	2,181,286	3,919,190	2,665,256	1,253,934
Services and operating expenditures	5,611,430	9,443,278	9,171,280	271,998
Capital outlay	-	190,646	293,161	(102,515)
Other outgo	106,949	132,463	147,380	(14,917)
Total Expenditures ¹	<u>73,106,637</u>	<u>80,481,723</u>	<u>81,001,007</u>	<u>(519,284)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>511,142</u>	<u>(5,006,424)</u>	<u>(2,840,100)</u>	<u>2,166,324</u>
Other Financing Uses				
Transfers out	(500,000)	(500,000)	-	500,000
NET CHANGE IN FUND BALANCE	<u>11,142</u>	<u>(5,506,424)</u>	<u>(2,840,100)</u>	<u>2,666,324</u>
Fund Balance - Beginning	<u>11,965,636</u>	<u>11,965,636</u>	<u>11,965,636</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 11,976,778</u>	<u>\$ 6,459,212</u>	<u>\$ 9,125,536</u>	<u>\$ 2,666,324</u>

¹ On behalf payments of \$2,103,478 are included in the actual revenues and expenditures, but have not been included in the 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.

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

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

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.0836%</u>
District's proportionate share of the net pension liability	\$ 48,824,373
State's proportionate share of the net pension liability associated with the District	<u>29,482,264</u>
Total	<u>\$ 78,306,637</u>
District's covered - employee payroll	<u>\$ 37,497,499</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>130.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 CalPERS	
District's proportion of the net pension liability	<u>0.1370%</u>
District's proportionate share of the net pension liability	<u>\$ 15,558,329</u>
District's covered - employee payroll	<u>\$ 14,372,498</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108.25%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 3,367,693
Contributions in relation to the contractually required contribution	<u>3,367,693</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 37,924,471</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 1,783,241
Contributions in relation to the contractually required contribution	<u>1,783,241</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 15,147,003</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

SUPPLEMENTARY INFORMATION

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Indian Education	84.060	[1]	\$ 5,831
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	7,143
Title III - English Language Proficient (LEP) Student Program	84.365	14346	<u>188,194</u>
Subtotal Title III - English Language Acquisition Grants			<u>195,337</u>
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	1,092,694
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	235,711
Passed through West Orange County Consortium for Special Education:			
Special Education (IDEA) Cluster:			
Preschool Grants, Part B, Sec 619	84.173	13430	77,874
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,323
Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,536,693
Local Assistance Entitlement, Part B, Sec 611 - Private School ISPs	84.027	10115	50,089
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	187,775
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	22,047
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	1,195
Subtotal Special Education (IDEA) Cluster			<u>1,876,996</u>
State Improvement Grant, Improving Special Ed Systems	84.323	14920	<u>485</u>
Total U.S. Department of Education			<u><u>3,407,054</u></u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,356,904
Especially Needy Breakfast	10.553	13390	276,784
Commodities	10.555	13396	151,695
Subtotal Child Nutrition Cluster			<u>1,785,383</u>
Fresh Fruit and Vegetables Program	10.582	14968	36,043
Child and Adult Care Food Program	10.558	13666	48,383
Total U.S. Department of Agriculture			<u><u>1,869,809</u></u>

[1] Direct-Funded, no PCA number

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015 (Continued)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	\$ 454,157
Passed through CDE:			
Child Development Cluster:			
CCDF Matching-General Child Development Program	93.596	13609	28,128
CCDF Discretionary General Child Care FF	93.575	15136	15,476
			<u>43,604</u>
Total U.S. Department of Health and Human Services			<u>497,761</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,774,624</u></u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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. John Briscoe	Clerk	2018
Ms. Debbie Cotton	Member	2016
Mr. Joseph Gaglione	Member	2018
Mr. Jack Souders	Member	2018

ADMINISTRATION

Mr. Gustavo Balderas	Superintendent
Mr. Felix Avila	Assistant Superintendent, Human Resources
Ms. Roni Ellis	Assistant 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, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,667.75	3,665.05
Fourth through sixth	2,945.71	2,942.99
Seventh and eighth	1,980.91	1,979.14
Total Regular ADA	<u>8,594.37</u>	<u>8,587.18</u>
Extended Year Special Education		
Transitional kindergarten through third	5.44	5.44
Fourth through sixth	4.09	4.09
Seventh and eighth	3.37	3.37
Total Extended Year Special Education	<u>12.90</u>	<u>12.90</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.99	0.98
Fourth through sixth	1.03	1.01
Seventh and eighth	2.26	2.35
Total Special Education, Nonpublic, Nonsectarian Schools	<u>4.28</u>	<u>4.34</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.17	0.17
Fourth through sixth	0.17	0.17
Seventh and eighth	0.24	0.24
Total Extended Special Education, Nonpublic, Nonsectarian Schools	<u>0.58</u>	<u>0.58</u>
Total ADA	<u><u>8,612.13</u></u>	<u><u>8,605.00</u></u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	45,655	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			49,040	180	N/A	Complied
Grade 2			49,040	180	N/A	Complied
Grade 3			49,040	180	N/A	Complied
Grades 4 - 6	50,400	52,500				
Grade 4			54,105	180	N/A	Complied
Grade 5			54,105	180	N/A	Complied
Grade 6			56,944	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			56,944	180	N/A	Complied
Grade 8			56,944	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, 2015

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

	County School Facilities Fund
FUND BALANCE	
Balance, June 30, 2015, Unaudited Actuals	\$ 11,911,044
Increase in:	
Accounts payable ¹	(285,000)
Balance, June 30, 2015, Audited Financial Statement	<u>\$ 11,626,044</u>

¹The adjustment is as a result of a settlement reached with California Financial Services.

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget)			
	2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 82,408,203	\$ 78,158,081	\$ 75,151,922	\$ 70,201,358
Other sources and transfers in	-	-	87,185	2,043,186
Total Revenues and Other Sources	<u>82,408,203</u>	<u>78,158,081</u>	<u>75,239,107</u>	<u>72,244,544</u>
Expenditures	76,959,910	80,758,832	73,879,900	73,302,818
Other uses and transfers out	500,000	500,000	-	-
Total Expenditures and Other Uses	<u>77,459,910</u>	<u>81,258,832</u>	<u>73,879,900</u>	<u>73,302,818</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 4,948,293</u>	<u>\$ (3,100,751)</u>	<u>\$ 1,359,207</u>	<u>\$ (1,058,274)</u>
ENDING FUND BALANCE	<u>\$ 12,959,747</u>	<u>\$ 8,011,454</u>	<u>\$ 11,112,205</u>	<u>\$ 9,752,998</u>
AVAILABLE RESERVES ²	<u>\$ 2,323,817</u>	<u>\$ 2,377,676</u>	<u>\$ 2,152,978</u>	<u>\$ 2,140,461</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 26,097,527</u>	<u>\$ 25,741,578</u>	<u>\$ 14,096,874</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>8,428</u>	<u>8,612</u>	<u>9,014</u>	<u>9,216</u>

The General Fund balance has decreased by \$1,741,544 over the past two years. However, the fiscal year 2015-2016 budget projects an increase of \$4,948,293 (61.8 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 deficits in two of the past three years but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$12,000,653 over the past two years.

Average daily attendance has decreased by 604 over the past two years. An additional decline of 184 ADA is anticipated during fiscal year 2015-2016.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$2,103,478, \$2,127,224, and \$1,954,431 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

⁴ 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, 2015

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS				
Deposits and investments	\$ 1,439,785	\$ 3,181,835	\$ 1,889,533	\$ 6,511,153
Receivables	584,308	3,013	94,577	681,898
Due from other funds	112	-	-	112
Stores inventories	128,587	-	-	128,587
Total Assets	<u>\$ 2,152,792</u>	<u>\$ 3,184,848</u>	<u>\$ 1,984,110</u>	<u>\$ 7,321,750</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 166,667	\$ 812	\$ 101	\$ 167,580
Due to other funds	149,792	-	-	149,792
Unearned revenue	62,912	-	-	62,912
Total Liabilities	<u>379,371</u>	<u>812</u>	<u>101</u>	<u>380,284</u>
Fund Balances:				
Nonspendable	129,587	-	-	129,587
Restricted	1,643,834	3,184,036	81,840	4,909,710
Assigned	-	-	1,902,169	1,902,169
Total Fund Balances	<u>1,773,421</u>	<u>3,184,036</u>	<u>1,984,009</u>	<u>6,941,466</u>
Total Liabilities and Fund Balances	<u>\$ 2,152,792</u>	<u>\$ 3,184,848</u>	<u>\$ 1,984,110</u>	<u>\$ 7,321,750</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, 2015**

	Cafeteria Fund	Capital Facilities Fund
REVENUES		
Federal sources	\$ 1,869,809	\$ -
Other State sources	136,214	-
Other local sources	794,314	1,281,260
Total Revenues	2,800,337	1,281,260
EXPENDITURES		
Current		
Pupil services:		
Food services	2,376,205	-
Administration:		
All other administration	122,277	46,504
Plant services	-	109,851
Facility acquisition and construction	-	29,452
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	2,498,482	185,807
Excess (Deficiency) of Revenues Over Expenditures	301,855	1,095,453
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	-	(2,719,209)
Net Financing Sources (Uses)	-	(2,719,209)
NET CHANGE IN FUND BALANCES	301,855	(1,623,756)
Fund Balances - Beginning	1,471,566	4,807,792
Fund Balances - Ending	\$ 1,773,421	\$ 3,184,036

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 1,869,809
-	-	136,214
2,167,591	-	4,243,165
<u>2,167,591</u>	<u>-</u>	<u>6,249,188</u>
-	-	2,376,205
-	-	168,781
78,216	-	188,067
859,842	-	889,294
-	995,000	995,000
-	508,168	508,168
<u>938,058</u>	<u>1,503,168</u>	<u>5,125,515</u>
1,229,533	(1,503,168)	1,123,673
-	1,503,168	1,503,168
<u>(2,203,168)</u>	<u>-</u>	<u>(4,922,377)</u>
(2,203,168)	1,503,168	(3,419,209)
(973,635)	-	(2,295,536)
2,957,644	-	9,237,002
<u>\$ 1,984,009</u>	<u>\$ -</u>	<u>\$ 6,941,466</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, 2015**

(Amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 3,849	4.9	\$ 3,940	5.2	\$ 3,990	5.7
State and local revenue included in Local Control Funding Formula	62,058	79.4	57,556	76.6	46,990	66.9
Other State revenue	4,936	6.3	6,414	8.6	12,408	17.7
Other local revenue	1,843	2.4	2,037	2.7	1,629	2.3
Tuition and transfers in	5,472	7.0	5,205	6.9	5,184	7.4
Total Revenues	78,158	100.0	75,152	100.0	70,201	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	38,482	49.2	37,685	50.1	37,279	53.1
Classified salaries	15,228	19.5	13,901	18.5	14,236	20.3
Employee benefits	15,015	19.2	14,014	18.7	14,498	20.7
Total Salaries and Benefits	68,725	87.9	65,600	87.3	66,013	94.1
Books and supplies	2,545	3.3	2,363	3.1	2,031	2.8
Services and operating expenses	9,058	11.6	5,505	7.3	5,146	7.3
Capital outlay	284	0.4	275	0.4	128	0.2
Other outgo	118	0.2	76	0.1	(60)	(0.1)
Debt service	29	0.0	61	0.1	44	0.1
Total Expenditures	80,759	103.4	73,880	98.3	73,302	104.4
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,601)	(3.4)	1,272	1.7	(3,101)	(4.4)
OTHER FINANCING SOURCES/USES	(500)	(0.6)	87	0.1	2,043	2.9
INCREASE (DECREASE) IN FUND BALANCE	(3,101)	(4.0)	1,359	1.8	(1,058)	(1.5)
FUND BALANCE, BEGINNING	11,112	14.2	9,753	13.0	10,811	15.4
FUND BALANCE, ENDING	\$ 8,011	10.2	\$ 11,112	14.8	\$ 9,753	13.9

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, 2015**

(Amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal meal program	\$ 1,870	66.7	\$ 1,844	62.5	\$ 1,765	58.8
State meal program	136	4.9	128	4.3	144	4.8
Food sales	789	28.2	973	33.0	1,092	36.3
Other	5	0.2	5	0.2	4	0.1
Total Revenues	<u>2,800</u>	<u>100.0</u>	<u>2,950</u>	<u>100.0</u>	<u>3,005</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	992	35.4	990	33.6	981	32.6
Food	1,111	39.7	1,379	46.7	1,383	46.0
Supplies	40	1.4	109	3.7	129	4.3
Other	356	12.7	429	14.5	325	10.8
Total Expenditures	<u>2,499</u>	<u>89.2</u>	<u>2,907</u>	<u>98.5</u>	<u>2,818</u>	<u>93.7</u>
INCREASE IN FUND BALANCE	301	10.8	43	1.5	187	6.3
FUND BALANCE, BEGINNING	1,472	52.6	1,429	48.4	1,242	41.3
FUND BALANCE, ENDING	<u>\$ 1,773</u>	<u>63.4</u>	<u>\$ 1,472</u>	<u>49.9</u>	<u>\$ 1,429</u>	<u>47.6</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2014-2015		2013-2014		2012-2013	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	132,841	23.7	142,022	24.1	169,285	27.3
Reduced price	53,120	9.5	44,644	7.6	53,993	8.7
Free	375,021	66.8	402,773	68.3	397,557	64.0
Total Lunches	<u>560,982</u>	<u>100.0</u>	<u>589,439</u>	<u>100.0</u>	<u>620,835</u>	<u>100.0</u>
BREAKFAST						
Paid	10,915	7.1	8,626	5.5	8,680	6.1
Reduced price	9,437	6.1	7,150	4.5	7,279	5.1
Free	133,858	86.8	141,522	90.0	126,842	88.8
Total Breakfast	<u>154,210</u>	<u>100.0</u>	<u>157,298</u>	<u>100.0</u>	<u>142,801</u>	<u>100.0</u>

See accompanying note to supplementary information.

OCEAN VIEW SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option Funds which were recorded in the prior period as revenues, but were expended this year.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities:		\$ 5,762,216
Medi-Cal Billing Option	93.778	12,408
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,774,624</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, 2015

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.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Ocean View School District
Huntington Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ocean View School District (the District) as of and for the year ended June 30, 2015, 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 November 23, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 18 to the financial statements in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 November 23, 2015.

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.

VAORNEK, TRING, DAY + QU P

Rancho Cucamonga, California
November 23, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

VAORZNEK, TIZAS. Day + CO. U.P

Rancho Cucamonga, California
November 23, 2015



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 *2014-2015 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, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Ocean View School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Ocean View School District's compliance with those requirements.

Unmodified Opinion on Each of the 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, 2015.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Ocean View School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	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
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
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
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	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 does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

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

The District does not have a Regional Occupational Center or Program; therefore, we did not perform procedures related to the Regional Occupational Centers or Programs Maintenance of Effort.

The District does not have a Adult Education Program; therefore, we did not perform procedures related to the Adult Education Maintenance of Effort.

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

VAJZNEK, IRINA Day + COUP

Rancho Cucamonga, California
November 23, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OCEAN VIEW SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

OCEAN VIEW SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Awards Finding

After School Education and Safety Program (ASES)

2014-001 40000

Criteria or Specific Requirements

According to the *California Education Code Section 8483(a)(1)*, every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6PM on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement. However, in reviewing Oak View Elementary School's monthly summary total for the month of December 2013 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Oak View Elementary School's attendance rosters had a total of 1,145 students served where as the total of the monthly summary are 1,220 students served, resulting in 75 exceptions. Exceptions consisted of 75 students who were released before 6PM on a daily basis, but the site did not have an early release form on file.

Questioned Costs

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

Context

The condition identified resulted from our review of Oak View Elementary School's attendance records and monthly attendance summary totals for the month of December, 2013. The auditor also reviewed early release forms for the month of December 2013, and noted exceptions in which Oak View Elementary School did not have early release forms for students that were being released before 6PM on a daily basis, as well as time not being documented when students were released from ASES.

Effect

As a result of the conditions identified, the District was not compliant with *Education Code Section 8483(a)(1)* for the 2013-2014 fiscal year for Oak View Elementary School because the report submitted to the State reflects inaccurate attendance information.

OCEAN VIEW SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Cause

It appears that the condition identified has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the site deducts those students who are not in compliance with the established early release policy. The site did not have early release form on file for those students who were constantly released early from the ASES program.

Recommendation

The District should inform GOALS, the third-party administrator, regarding their early release policy including the importance of having an early release form on file for students who are continually released early. Also, prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Current Status

Implemented.



Governing Board
Ocean View School District
Huntington Beach, California

In planning and performing our audit of the financial statements of Ocean View School District (the District) for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 23, 2015, on the government-wide financial statements of the District.

CASH RECEIPTS – FOOD SERVICES

Observation

Site staff currently perform 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 six of 40 site deposits tested had a variance of +/- 20 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.

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.

VACATION ACCRUAL

Observation

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

Recommendation

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

PAYROLL

Observation

During the review of the payroll process over hourly, overtime, extra hours, etc., it was noted that three out of 60 employees were paid the incorrect amount due to error in calculation of the hours from time cards. One employee was overpaid for two hours. The other two employees were not paid for one day of work.

Recommendation

The District should consider strengthening review controls over the payroll process. The payroll clerks should accurately recalculate the time cards to ensure employees are being paid accurately. The District should implement a procedure where clerks spot check another clerk's calculations. This will help to ensure accuracy over the payroll process and create a check and balance system to help the District minimize the risk of over or under payments to employees.

ASSOCIATED STUDENT BODY

Vista View Middle School

Observation

During testing of cash receipts, the auditor noted that pre-numbered lists and associated receipts are being dated the day that they are provided to the District, rather than containing dates when cash was actually received. Out of 11 pre-numbered lists and associated receipts tested, none contained receipt dates for individual line items.

Recommendation

Each cash receipt should be dated on the site's pre-numbered lists. This will allow for the determination of the timeliness of deposits. All cash should be deposited within 10 days of its initial receipt date. This ensures that cash is not held on site for an extended period of time and provides less exposure to theft or loss of funds.

Observation

A fundraising event tested by the auditor did not reflect pre-approval by the ASB. The tested fundraiser's revenue potential form documented cash received, but the amount documented did not agree to cash receipts. Cash receipts were \$21 less than the amount noted on the revenue potential form.

Recommendation

Each fundraising event should be approved by the student body prior to the fundraiser's starting date. Revenue potential forms should accurately document the amount of cash received for fundraising events. Any discrepancies should be explained.

Observation

Daily sales forms do not document the selling price of goods sold or the number of each item sold. The ASB does not maintain perpetual inventory records.

Recommendation

Daily sales reports should be generated to document the number of items sold, individual item price, and cash received. In addition, a perpetual inventory log should be maintained to document beginning and ending inventory numbers, allowing for reconciliation to physical inventory counts.

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

VADZINER, TIZAS. Day + CUP

Rancho Cucamonga, California
November 23, 2015