

**ORCUTT UNION SCHOOL DISTRICT
COUNTY OF SANTA BARBARA
ORCUTT, CALIFORNIA**

**AUDIT REPORT
June 30, 2012**

ORCUTT UNION SCHOOL DISTRICT
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to basic financial statements effective July 1, 2011, the Orcutt Union School District adopted Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, the budgetary information on pages 47 through 49, and the schedule of funding progress for Post Employment Benefits Other than Pensions on page 50, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2012, on our consideration of the Orcutt Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Orcutt Union School District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Orcutt Union School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statement of the Orcutt Union School District. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Moss, Remy & Hargheim LLP

Santa Maria, California
December 10, 2012

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

This section of the financial report provides discussion and analysis of Orcutt Union School District's financial performance with an overview of the District's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, an amendment to GASB Statements No. 21 and No 34, issued in June 2001, and; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

Certain comparative information between the current year (FY2012) and the prior year (FY2011) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal year include the following:

- Total net assets for the District are \$33,019,394. This is an increase of 8.26% from prior \$30,499,931 year.
- This was the first year the Orcutt Academy High School Charter was located on its own campus at the previous May Grisham Elementary School resulting in a long term savings to the district of approximately \$300,000 once the school is retrofitted to conform to a high school.
- The Orcutt Academy High School purchased two (2) Chevy Suburban vehicles for \$66,561. to be used to transport students.
- Effective July 1, 2011 Los Alamos School District lapsed with the Orcutt Union School District resulting in an increase of \$ 140.44 per ADA, of which the deficit was approximately \$114 per ADA. Operating the school resulted in greater expenses than revenues in fiscal year 2011-12 due to reduced enrollment and higher expenditures for salaries and benefits in addition to funding a grievance on behalf of the Orcutt Educators Association.
- Los Alamos School District transferred financial audited balances of \$1.1 million dollars to the Orcutt Union School District effective July 1, 2011.
- Orcutt Academy Charter K-12 enrolled a total of 626 students in 2011-2012 which is a 28.3% increase over the prior year.
- The District received a 19.608% deficit Revenue Limit Funding in addition to a negative COLA of -.369%.
- On March 1, 2012 the District successfully refinanced approximately \$5.3 million of previously issued general obligation bonds resulting in savings of over \$600,000 to the District's taxpayers through lower interest payments on the bonds.
- In the adopted budget the Board of Trustees authorized complete flexibility of Tier III programs totaling approximately \$2 million dollars.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

- Taking all state deferrals into account, nearly 45% of state funding provided to schools is deferred at some point in the year. Cash flow monitoring remains critical.
- Following an IRS audit regarding arbitrage rebate and yield restriction compliance the district was found to be in compliance resulting in no monetary penalty.
- The District was successful in appealing to the State Controller's Office and the Education Audit Appeals Board to resolve a \$1.3 million dollar potential attendance audit penalty, instead agreeing to a January 2011 settlement resulting in a penalty of \$1,715.
- The District maintained a reserve for economic uncertainty which is calculated at 3% of general fund expenditures and other financing uses.
- The District realized capital improvements for Pine Grove School new modular classroom, Alice Shaw hard court and Ralph Dunlap hard court for a total of approximately \$500,000.
- Due to Los Alamos lapsation maximum bonding capacity increased by \$5.5 million to \$50,885,280.
- The District received approximately \$500,000 as a one time revenue source due to declining enrollment of the original district prior to lapsation.

ENROLLMENT

The number of students served is the basis for most revenues that flow into the District. The most consistent measurement of enrollment by school districts in California is the enrollment count in October of each year. The count in October, as mandated by the State, is utilized to give districts consistent numbers for a year-to-year analysis. This enrollment is called CALPADS (California Longitudinal Pupil Achievement Data System, previously known as CSIS.) Although the October CALPADS is the first solid indicator of enrollment for the year, the District's largest source of revenue in any fiscal year is based on P-2 ADA. This is the second period of Average Daily Attendance which is the average student attendance between July 1 and April 15. The District receives money only on those students who actually attend school. Annual ADA is calculated at year-end and adjustments are made in the subsequent year. The percentage of enrollment to ADA for current year is 96.4%.

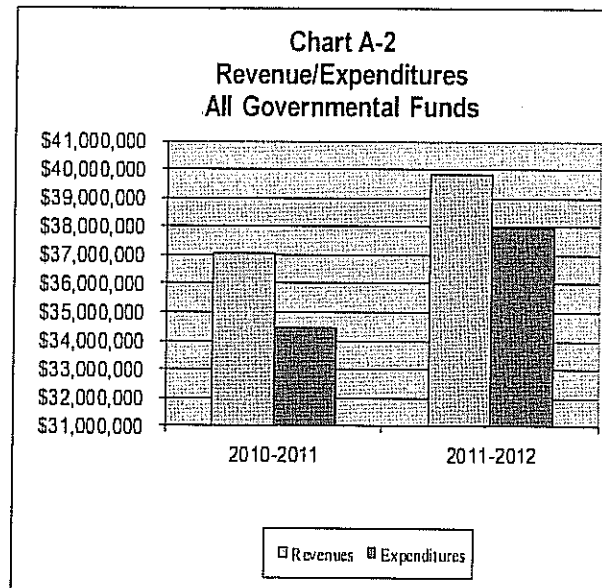
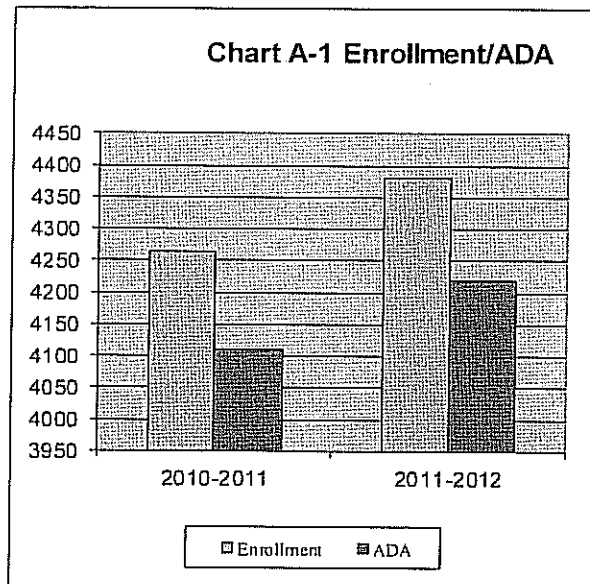
COMPARISONS:

In 2011-2012, the District increased overall enrollment by 115 students due to absorbing Los Alamos School District's 201 students. Otherwise the district actually declined by 86 students and was therefore eligible for a hold harmless provision to fund the same as prior year under the conditions of lapsation for the traditional school district. The District realized one-time revenues of approximately \$500,000 in the current year for that loss. This then becomes an ongoing loss of revenue in future years. Starting in fiscal year 2002-2003, the District began losing ADA due to declining enrollment. In fiscal year 2003-2004, the District experienced the first major decline in enrollment of 66 students. In fiscal year 2004-2005, the District continued to further decline by 262 students. Overall, since 2002-03 the student enrollment of Orcutt's original boundaries has declined by 857 students. Much of the decline is attributed changing demographics. Another significant factor is that during the initial years of decline, the District did not accept many inter-district transfers. In 2005-2006, enrollment increased by 38 students due to the District accepting inter-district transfers from neighboring districts, thus was able to maintain enrollment numbers through those transfers. In 2007-08, neighboring districts disallowed inter-district

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

transfers with the exception of sibling transfers. This change contributed to a further decline. Since then the District upon closing an elementary school closed inter-districts and stabilized enrollment capacity at all the remaining elementary schools with the exception of Los Alamos which remains under facility capacity.

In fiscal year 2008-09, the District opened a locally funded dependant charter school serving K-8 students in Casmalia and independent study students at Pine Grove School. The Orcutt Academy High School, grades 9-12, was opened utilizing part of the Orcutt Jr. High School and May Grisham campuses. The District established a Charter Schools Special Revenue Fund Nine (09) account for the charter school's revenues and expenditures as required by law. The high school added a new grade each year until all four high school grades were realized. June 2012 saw the 1st OAHS graduating senior class. The high school grew to 486 in 2012 students and is expected to have a maximum enrollment of 600 in future years. The Independent Study Program resides at the Alice Shaw School at this time utilizing three (3) classrooms.



Total Revenue Limit Sources in fiscal year 2011-2012 increased by \$2.3 million dollars or 9.6% while total revenue for the district increased \$2.8 million or 7.5%. This is significantly due to the addition of Los Alamos School District in addition to increased enrollment of the Charter School. Federal revenue was reduced due to one-time ARRA funds as well as SFSF and Education jobs funds money being eliminated.

As exhibited below in Table A-1, with the exception of federal revenues, revenue sources increased.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Table A-1

COMPARISON OF ALL GOVERNMENTAL REVENUES:

Governmental Revenues	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Percent Increase (Decrease)
Revenue Limit Sources:			
State Apportionment	\$ 15,340,392	\$ 16,365,687	6.68%
Local Source	8,917,533	10,220,573	14.61%
Total Revenue Limit Sources	\$ 24,257,925	\$ 26,586,260	9.60%
Federal	\$ 3,154,699	\$ 2,862,367	-9.27%
Other State	5,585,979	6,275,430	12.34%
Other Local	4,047,159	4,101,013	1.33%
Total Revenues	\$ 37,045,762	\$ 39,825,070	7.50%

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Table A-2

COMPARISON OF ALL GOVERNMENTAL EXPENDITURES:

Governmental Activities	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Percent Increase (Decrease)
Instruction	\$ 20,973,250	\$ 23,651,440	12.77%
Instruction Related Services:			
Supervision of instruction	1,009,003	1,065,847	5.63%
Instructional library, media and technology	599,634	813,676	35.70%
School site administration	2,278,165	2,485,619	9.11%
Pupil Services:			
Home to school transportation	683,772	711,796	4.10%
Food services	1,343,251	1,486,178	10.64%
All other pupil services	946,819	1,062,351	12.20%
General Administration:			
All other general administration	1,481,837	1,498,931	1.15%
Plant Services	4,024,542	4,744,714	17.89%
Ancillary Services	168,587	285,080	69.10%
Community Services	746,716	727,080	-2.63%
Interest and principal/long term debt	1,091,216	1,188,525	8.92%
Total	\$ 35,346,792	\$ 39,721,237	12.38%

The District's overall expenditures increased by \$4.4 million or 12.38% in fiscal year 2011-2012. Most functions had increases due to the expense of an additional school in addition to increased expenditures due to growth at the charter academy. Direct Instruction increased due to staffing for an additional school, growth in the academy and the purchase of student intervention software. The District continues to replace obsolete technology in addition to improving the charter library. Pupil Services increased due to increases in Special Education delivery. Food Service increased as they received a grant for additional equipment in addition to increased staffing at Los Alamos. Plant services increased due to the addition of a new school and the ancillary function increased due to additional athletics at the Charter High School.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. This annual report is comprised of three components: 1) management discussion and analysis (this section), 2) the basic financial statements, and 3) 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.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

- The *governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
- *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 to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1 Organization of Orcutt School District's Annual Financial Report

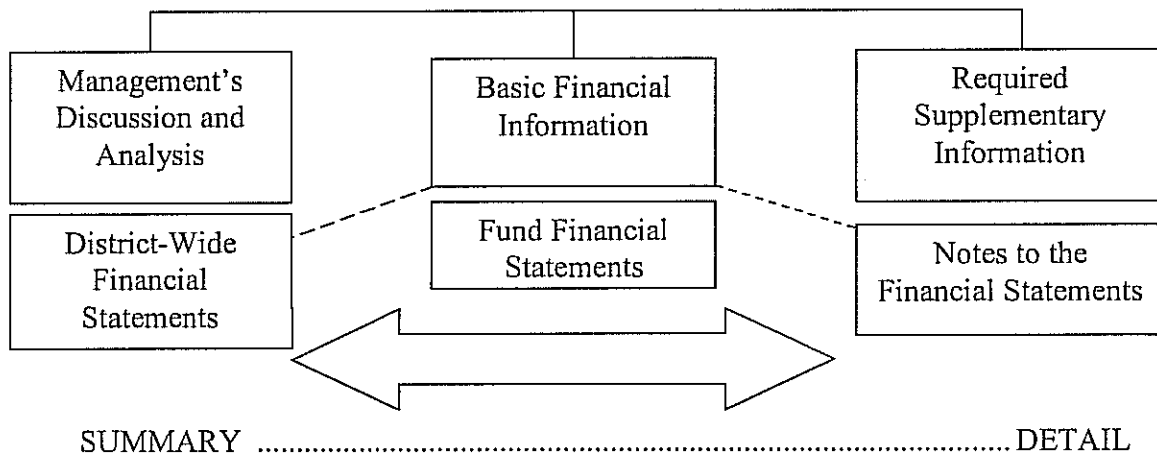


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities covered and the types of information contained.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Figure A-2 Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	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 of the district that operate like a business, such as self-insurance funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain non-financial assets, though they can	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain non-financial 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

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

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

District-Wide Statements

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

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

- Over time, increases and decreases in the District's net assets are indicators of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *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 formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements focus on the School District's 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 establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debt) or to show that it is properly using certain revenues (i.e. Federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that 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 at the bottom of the governmental funds a statement that explains the relationships (or differences) between them.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the retiree fund and student body 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including the budgetary schedules for the major funds and the notes to the budgetary schedules.

Results of the state and federally mandated *Single Audit*, which includes auditor's opinions, schedules of state and federal awards and schedules of findings and questioned costs, are also included in this section.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets were \$33,019,394 as of June 30, 2012.

Net Assets. The distribution of the District's net assets is shown in Table A-3. The increase in net assets is shown in Table A-4

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Table A-3

		Governmental Activities
		<u>2012</u>
Current and other assets	\$	20,565,836
Capital assets		30,110,547
Total assets	\$	50,676,383
Long-term debt outstanding		15,358,364
Other liabilities		2,298,625
Total liabilities	\$	17,656,989
Net assets		
Invested in capital assets, net of related debt restricted for:	\$	17,035,797
Nutrition		1,331,877
Restricted for capital projects		2,833,629
Restricted for debt service		978,488
Education programs		762,125
Unrestricted		10,077,478
Total net assets	\$	33,019,394

Table A-4

		Governmental Activities
		<u>2012</u>
Total Revenues	\$	41,809,867
Total Expenses		39,290,404
Increase (decrease in net assets)	\$	2,519,463

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this fiscal year, its governmental funds reported a combined fund balance/net assets of \$33,019,394. This is an increase of 8.26 % over last year. The District's General Fund had more expenditures than revenues in 2011. This is due to one-time reserves being used to survive in a limited resource environment.

Beginning in fiscal year 2010-11 GASB Statement No. 54 stated that Fund 20, Postemployment Benefits Fund is not substantially composed of restricted or committed revenue sources. For this year the fund will remain open for internal reporting purposes, however it will be reported in these financials as an extension of the General Fund, and accordingly combined with the General Fund for presentation in these audited financial statements. This is a restatement of \$2 million dollars.

Below in table A-5 is a list of all the various District fund balances at the end of fiscal year 2011-2012 as well as fiscal year 2010-2011. The changes between the years are also listed.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Table A-5

Ending Fund Balances
Fiscal Year 2010-2011 and 2011-2012

	<u>Ending Balance</u> <u>At June 30, 2011</u>	<u>Ending Balance</u> <u>At June 30, 2012</u>	<u>Changes</u> <u>Increase</u> <u>(Decrease)</u>
General Fund- 01	\$ 6,497,731	\$ 6,171,283	\$ (326,448)
Charter School Fund 09	1,283,915	1,689,360	405,445
Child Development Fund 12	0	0	0
Cafeteria Fund 13	1,205,480	1,331,877	126,397
Deferred Maint. Fund 14	1,524,239	2,228,286	704,047
Special Reserve Postretirement Benefits Fund 20	1,783,219	1,993,917	210,698
Capital Facilities Fund 25	2,643,430	2,833,629	190,199
Building Fund 21	0	11,349	11,349
Special Reserve-Capital Projects Fund 40	451,227	486,871	35,644
Bond Interest & Redemption Fund 51	1,077,743	1,185,917	108,174
Tax Override Fund 53	50	0	(50)
Self Insurance Fund 67	10,551	13,250	2,699
TOTAL	\$ 16,477,585	\$ 17,945,739	\$ 1,468,154

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increases to account for categorical programs and school donations
- Salaries and benefits costs – salary and benefits are typically increased to account for approved negotiated agreements, changes in staffing in addition to health benefits
- Non-Capital expenses - increased to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the general fund anticipated revenues would fall short of expenditures by about \$1.8 million, the actual results for the year show that expenditures actually exceeded revenues by approximately \$7,000. Actual revenues were \$516,823 more than anticipated, but expenditures were \$1.3 million less than budgeted. Additional revenues consist of an adjustment to the Federal Jobs Fund and local school site revenue that typically is not completely known until year end. Of the \$1.3 million unspent expenditures, the majority is restricted state and federal programs balances. In addition, schools typically carry over unrestricted balances that are budgeted in the first interim reporting period.

The State continues to be in fiscal crisis and this contributed to the District utilizing a very conservative approach to expenditures in the 2011-2012 fiscal year.

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011-2012 the District had invested approximately \$30 million in capital assets. Total depreciation expenses for the year are \$1,327,899.

Table A-6

	Governmental Activities	
Capital Assets at Year-End, net of depreciation		
	2012	
Land	\$	1,878,255
Construction in progress		602,598
Site improvements & Buildings		26,571,563
Machinery and Equipment		1,058,131
Total	\$	30,110,547

Long-Term Debt

At year-end, the District had \$14.2 million in general obligation bonds, other general long term debt, and capital leases – an increase of 12.84% from last year – as shown in Table A-7. The District is accounting for Postemployment Benefits Other Than Pensions (OPEB) in its long term debt. (More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.)

Table A-7

	Total	
Outstanding Long-Term Debt at Year-End		
	<u>2011</u>	<u>2012</u>
General obligation bonds	\$ 12,755,000	\$ 14,190,000
Compensated absences payable	196,696	183,281
OPEB Payable	1,084,510	1,560,083
Capital leases	136,924	59,687
Other general long term debt	0	0
Total	\$ 14,173,130	\$ 15,993,051

ORCUTT UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

FACTORS BEARING ON THE DISTRICT'S FUTURE

Severe and significant state and federal economic factors continue to change the face of education in California. Subsequently, this affects the school district as we struggle with the long term trend of budgeted deficits, zero or negative COLA projections and continued cash deferrals.

Providing the district projects correctly, declining enrollment provides one-time dollars to the district in the year of the student decline, however, at the turnaround point where the district starts to grow, it is critical for the district to have additional dollars to accommodate the added expenditures. Therefore, it is important for the District to set aside funds for this purpose.

At the time these financial statements were prepared the Governor in his budget projected additional revenues to be approved by the electorate in November. While this would be welcome to avoid devastating cuts it continues to place the District in a challenging financial position with flat funding. Contractual obligations and increased costs result in continued deficit spending which results in an ongoing structural deficit problem for the school district. Continued deficit spending, in time, results in insolvency.

Money allocated to schools continues to be at risk simply because of the pressures growing in other areas of the State budget as revenues decline due to severe economic factors. State revenues have decreased at a time when the federal government has backfilled with one time money. This money has been expended with no money to replace it. The state continues to defer payments to school districts resulting in cash flow anxiety and the need to borrow money from other funds to stay afloat. Politics plays a cruel role for education in California. The District at this time places its future of stopping the bleeding in school finance to the electorate in the November 2012 election. The total impact on the finances of the District will continue to be extremely challenging as California continues to be close to last in the nation in funding schools on a per student basis while still requiring high standards.

CONTACTING DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to:

Ms. Marysia Ochej
Assistant Superintendent of Business Services
Orcutt Union School District
500 Dyer Street
Orcutt, CA 93455
Telephone: 805-938-8916
Fax 805-938-8919

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets	Governmental Activities
Cash in county treasury	\$ 11,014,513
Cash on hand and in bank	20,605
Revolving cash fund	13,928
Accounts receivable	8,296,075
Inventories, at cost	30,154
Prepaid expenses	26,973
Land	1,878,255
Construction in progress	602,598
Buildings and improvements	41,972,994
Equipment	4,037,785
Less accumulated depreciation	(18,381,085)
Deferred charges, net of accumulated amortization	<u>1,163,588</u>
Total assets	<u>50,676,383</u>
Liabilities	
Accounts payable	1,452,190
Interest payable	207,429
Deferred revenue	4,319
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	575,000
Capital lease payable	<u>59,687</u>
Total due within one year	<u>2,298,625</u>
Due after one year:	
General obligation bonds payable	13,615,000
Compensated absences payable	183,281
OPEB payable	<u>1,560,083</u>
Total due after one year	<u>15,358,364</u>
Total liabilities	<u>17,656,989</u>
Net Assets	
Invested in capital assets, net of related debt	17,035,797
Restricted for:	
Nutrition	1,331,877
Capital projects	2,833,629
Debt service	978,488
Educational programs	762,125
Unrestricted	<u>10,077,478</u>
Total net assets	<u><u>\$ 33,019,394</u></u>

The accompanying notes are an integral part of this statement.

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ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 24,124,316	\$ -	\$ 3,021,880	\$ -
Instruction-related services:				
Supervision of instruction	1,066,178		340,976	
Instructional library, media, and technology	813,345		576	
School site administration	2,485,617		30,648	
Pupil services:				
Home-to-school transportation	711,796		358,903	
Food services	1,486,177	547,739	1,032,986	
All other pupil services	1,062,351		234,936	
General administration:				
All other general administration	1,485,871	22,397	169,658	
Plant services	3,081,930	23,033	55,369	
Ancillary services	285,080		84,450	
Community services	727,080		1,182	
Interest on long-term debt	633,119			
Other outgo	(355)	5,690	10,379	
Depreciation (unallocated)	1,327,899			
Total governmental activities	<u>\$ 39,290,404</u>	<u>\$ 598,859</u>	<u>\$ 5,341,943</u>	<u>\$ -</u>

General revenues:

Taxes and subventions:

 Taxes levied for general purposes

 Taxes levied for debt service

 Federal and state aid not restricted to specific
 purposes

 Interest and investment earnings

 Interagency revenues

 Miscellaneous

Transfer from Los Alamos School District

Total general revenues and transfers

Change in net assets

Net assets, beginning of fiscal year

Net assets, end of fiscal year

The accompanying notes are an integral part of this statement.

<div> <div>Net (Expense)</div> <div>Revenue and</div> <div>Changes in</div> <div>Net Assets</div> </div>	
\$ (21,102,436)	
(725,202)	
(812,769)	
(2,454,969)	
(352,893)	
94,548	
(827,415)	
(1,293,816)	
(3,003,528)	
(200,630)	
(725,898)	
(633,119)	
16,424	
<u>(1,327,899)</u>	
<u>(33,349,602)</u>	
10,162,307	
1,061,781	
20,823,309	
94,775	
26,449	
1,715,647	
<u>1,984,797</u>	
<u>35,869,065</u>	
2,519,463	
30,499,931	
<u>\$ 33,019,394</u>	

ORCUTT UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Charter School Fund
ASSETS:		
Cash in County Treasury	\$ 2,138,827	\$ 502,042
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	13,928	-
Accounts Receivable	6,950,355	1,130,025
Due from Other Funds	192,331	128,941
Stores Inventories	7,095	-
Prepaid Expenditures	15,912	11,061
Total Assets	<u>\$ 9,318,448</u>	<u>\$ 1,772,069</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 601,672	\$ 16,091
Due to Other Funds	547,257	66,618
Deferred Revenue	4,319	-
Total Liabilities	<u>1,153,248</u>	<u>82,709</u>
Fund Balances:		
Nonspendable	36,935	11,061
Restricted	657,853	104,272
Committed	1,993,917	-
Assigned	4,500,867	1,574,027
Unassigned	975,628	-
Total Fund Balances	<u>8,165,200</u>	<u>1,689,360</u>
Total Liabilities and Fund Balances	<u>\$ 9,318,448</u>	<u>\$ 1,772,069</u>

The accompanying notes are an integral part of this statement.

Deferred Maintenance Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,913,308	\$ 2,870,297	\$ 2,897,272	\$ 10,321,746
-	-	20,605	20,605
-	-	-	13,928
3,434	5,134	206,000	8,294,948
412,296	-	5,665	739,233
-	-	23,059	30,154
-	-	-	26,973
<u>\$ 2,329,038</u>	<u>\$ 2,875,431</u>	<u>\$ 3,152,601</u>	<u>\$ 19,447,587</u>
\$ 100,273	\$ 41,802	\$ 11,708	\$ 771,546
479	-	124,879	739,233
-	-	-	4,319
<u>100,752</u>	<u>41,802</u>	<u>136,587</u>	<u>1,515,098</u>
-	2,833,629	23,059	71,055
2,228,286	-	2,494,735	6,090,489
-	-	11,349	4,233,552
-	-	486,871	6,561,765
-	-	-	975,628
<u>2,228,286</u>	<u>2,833,629</u>	<u>3,016,014</u>	<u>17,932,489</u>
<u>\$ 2,329,038</u>	<u>\$ 2,875,431</u>	<u>\$ 3,152,601</u>	<u>\$ 19,447,587</u>

ORCUTT UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances - governmental funds	\$ 17,932,489
--	---------------

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 48,491,632
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Accumulated depreciation	<u>18,381,085</u>
--------------------------	-------------------

Net	30,110,547
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In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net activities, it is recognized in the period that it is incurred.	(207,429)
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In governmental funds, debt issue costs and loss on debt refunding are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs and loss on refunding are amortized over the life of the debt.	1,163,588
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$ 14,190,000
Capital lease payable	59,687
Compensated absences payable	183,281
OPEB payable	<u>1,560,083</u>

Total	(15,993,051)
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Internal services funds are used to charge the cost of services to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	<u>13,250</u>
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Total net assets - governmental activities	<u>\$ 33,019,394</u>
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The accompanying notes are an integral part of this statement.

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ORCUTT UNION SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Charter School Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 13,977,792	\$ 2,387,895
Local Sources	9,004,149	1,216,424
Federal Revenue	1,811,521	57,314
Other State Revenue	5,211,495	515,167
Other Local Revenue	1,952,647	330,078
Total Revenues	<u>31,957,604</u>	<u>4,506,878</u>
Expenditures:		
Instruction	21,008,734	2,494,409
Instruction - Related Services	3,801,999	562,135
Pupil Services	1,658,272	119,786
Ancillary Services	65,929	219,151
Community Services	727,080	-
General Administration	1,035,060	400,000
Plant Services	3,585,892	305,952
Debt Service:		
Principal	77,237	-
Interest	4,098	-
Total Expenditures	<u>31,964,301</u>	<u>4,101,433</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,697)</u>	<u>405,445</u>
Other Financing Sources (Uses):		
Transfers In	18,059	-
Transfers Out	(357,646)	-
Transfers From Reorganized LEA	230,534	-
Proceeds of Refunding Debt	-	-
Payment to Refunded Debt Escrow Agent	-	-
Total Other Financing Sources (Uses)	<u>(109,053)</u>	<u>-</u>
Net Change in Fund Balances	(115,750)	405,445
Fund Balances, July 1	8,280,950	1,283,915
Fund Balances, June 30	<u>\$ 8,165,200</u>	<u>\$ 1,689,360</u>

The accompanying notes are an integral part of this statement.

Deferred Maintenance Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 16,365,687
-	-	-	10,220,573
-	-	993,532	2,862,367
298,288	-	250,480	6,275,430
11,851	104,427	1,702,010	4,101,013
<u>310,139</u>	<u>104,427</u>	<u>2,946,022</u>	<u>39,825,070</u>
-	-	148,297	23,651,440
-	-	1,008	4,365,142
-	-	1,482,267	3,260,325
-	-	-	285,080
-	-	-	727,080
-	-	63,871	1,498,931
151,557	342,992	358,321	4,744,714
-	-	480,000	557,237
-	-	627,190	631,288
<u>151,557</u>	<u>342,992</u>	<u>3,160,954</u>	<u>39,721,237</u>
<u>158,582</u>	<u>(238,565)</u>	<u>(214,932)</u>	<u>103,833</u>
298,341	-	58,950	375,350
-	(2,554)	(15,150)	(375,350)
247,124	431,318	181,664	1,090,640
-	-	5,675,000	5,675,000
-	-	(5,404,018)	(5,404,018)
<u>545,465</u>	<u>428,764</u>	<u>496,446</u>	<u>1,361,622</u>
704,047	190,199	281,514	1,465,455
1,524,239	2,643,430	2,734,500	16,467,034
<u>\$ 2,228,286</u>	<u>\$ 2,833,629</u>	<u>\$ 3,016,014</u>	<u>\$ 17,932,489</u>

ORCUTT UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds	\$ 1,465,455
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$1,391,804 exceeds depreciation expense of \$(1,327,899) in the period.	63,905
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	5,832,237
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	35,670
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used exceeded the amounts earned by \$13,415.	13,415
In governmental funds, debt issue costs and loss on refunding are recognized as expenditures in the period they are incurred. In the government-wide funds, issue costs and loss on refunding are amortized over the life of the debt. Costs incurred in the period were \$400,000 and amortization for the period was \$(37,502).	362,498
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:	(475,573)
In government funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt including bond premium were:	(5,675,000)
Internal services funds are used by the District to charge the costs of service to individual funds. The net income of internal service funds is reported in governmental activities.	2,699
Net capital assets \$2,409,157 less long-term debt of \$1,515,000 transferred from the merged Los Alamos School District are not reported in governmental funds.	<u>894,157</u>
Change in net assets - governmental activities	<u>\$ 2,519,463</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

JUNE 30, 2012

Governmental Activities
Internal Service
Fund

ASSETS:

Current Assets:

Cash in County Treasury

\$ 692,767

Accounts Receivable

1,127

Total Current Assets

693,894

Total Assets

693,894

LIABILITIES:

Current Liabilities

Accounts Payable

680,644

Total Current Liabilities

680,644

Total Liabilities

680,644

NET ASSETS:

Unrestricted Net Assets

13,250

Total Net Assets

\$ 13,250

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Fund</u>
Operating Revenues:	
Contract services	<u>\$ 3,976,896</u>
 Total revenues	 <u> 3,976,896</u>
 Operating Expenses:	
Employee benefits	<u> 3,976,896</u>
 Total expenses	 <u> 3,976,896</u>
 Non-Operating Revenues (Expenses):	
Interest income	<u> 2,699</u>
 Change in net assets	 <u> 2,699</u>
 Net assets, July 1	 <u> 10,551</u>
 Net assets, June 30	 <u><u> \$ 13,250</u></u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Fund</u>
Cash Flows from Operating Activities:	
Cash received from contract services	\$ 3,976,896
Cash paid for employee benefits	<u>(4,189,860)</u>
Net cash used by operating activities	(212,964)
Cash Flows from Investing Activities:	
Interest received	<u>2,575</u>
Net decrease in cash and cash equivalents	(210,389)
Cash and cash equivalents at July 1	<u>903,156</u>
Cash and cash equivalents at June 30	<u>\$ 692,767</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating income (loss)	\$ -
Increase (Decrease) in Operating Liabilities:	
Accounts payable	<u>(212,964)</u>
Net used provided by operating activities	<u>\$ (212,964)</u>

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****FIDUCIARY FUND****JUNE 30, 2012****ASSETS:**

Cash on Hand and in Banks

Total Assets

Agency
FundStudent
Body
Fund

\$ 20,167

\$ 20,167**LIABILITIES:**

Due to Student Groups

Total Liabilities

\$ 20,167

\$ 20,167

The accompanying notes are an integral part of this statement.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The reporting entity is the Orcutt Union School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

Charter School

The District has an approved Charter for Orcutt Academy Charter School, pursuant to Education Code Section 47605. The Orcutt Academy Charter School is operated by the District, and its financial activities are presented in the Charter School Fund.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differs from the manner in which governmental fund financial 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Internal service funds are presented on the proprietary fund statements. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means 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. For the District, "available" means collectible within the current period or within 60 days after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) did not meet the GASB Statement No. 54 special revenue definition. The Postemployment Benefits Fund 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.

The Charter School Fund is used to account for the activities of the District run Charter School, the Orcutt Academy.

The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.

The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provision of the California Environmental Quality Act (CEQA).

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Governmental Funds:

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 funds. The District maintains two nonmajor special revenue funds:

1. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

Capital Projects Funds are used to account for the acquisition and/or construction of governmental capital assets. The District maintains two nonmajor capital projects funds:

1. The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.
2. The Special Reserve Fund is used to set aside funds for capital projects.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains two nonmajor debt service funds.

1. The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.
2. The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of the District's state school building loan.

PROPRIETARY FUNDS

The Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund: the Self-Insurance Fund, which is used to provide medical benefits to its employees.

FIDUCIARY FUNDS

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds for the student body accounts. The funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student bodies.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 64

For the fiscal year ended June 30, 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2012.

I. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Santa Barbara County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first out) or market and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period benefited.

4. Amortization of Bond Expense and Bond Discounts

The cost of issuance of bonds, loss on bond refunding, and bond discount are being amortized on the straight line method over the life of the bonds on the government-wide statements.

5. Capital Assets

Capital assets are those purchased or acquired with an original costs of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

6. Deferred Revenue

Cash is received for federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

7. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond issuance costs are reported as prepaid expenses and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize issuance costs during the current period.

9. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

10. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

11. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each fiscal year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2012, consisted of the following:

Cash in banks	\$ 54,700
Cash and investments with the County Treasurer	<u>11,014,513</u>
Total cash and investments	<u>\$ 11,069,213</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in County Treasury, statement of net assets	\$ 11,014,513
Cash in revolving fund, statement of net assets	13,928
Cash on hand and in bank, statement of net assets	20,605
Cash on hand and in bank, statement of fiduciary assets and liabilities	<u>20,167</u>
Total cash and investments	<u>\$ 11,069,213</u>

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury as part of the common investment pool (\$11,014,513 as of June 30, 2012). The fair value of this pool as of that date, as provided by the plan sponsor, was \$11,014,513. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601 to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$40,772 as of June 30, 2012) and in the revolving fund (\$13,928) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. One of the ways that the District manages its exposure to interest rate risk is 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.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Santa Barbara County Investment Pool	\$ 11,014,513	\$ 11,014,513	\$ -	\$ -	\$ -
Total	\$ 11,014,513	\$ 11,014,513	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Santa Barbara County Investment Pool	\$11,014,513	N/A	\$ -	\$ -	\$ -	\$11,014,513
Total	\$11,014,513		\$ -	\$ -	\$ -	\$11,014,513

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, none of the District's deposits with financial institutions in excess of the Federal Depository Insurance Corporation limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

<u>Nonmajor Fund</u>	<u>Excess Expenditures</u>
Bond Interest Redemption Fund	
Services and other operating expenditures	\$ 270,982

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, consist of the following:

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund</u>
Federal Government:						
Federal programs	\$ 308,190	\$ -	\$ -	\$ -	\$ 173,286	\$ -
State Government:						
Apportionment	5,093,805	970,754				
Categorical aid programs	1,196,988	136,346			7,764	
Lottery	94,833	11,336				
Local Sources:						
Selpa	94,879					
Interest	10,190	2,068	3,434	5,134	5,004	1,127
Miscellaneous	151,470	9,521			19,946	
	<u>\$ 6,950,355</u>	<u>\$ 1,130,025</u>	<u>\$ 3,434</u>	<u>\$ 5,134</u>	<u>\$ 206,000</u>	<u>\$ 1,127</u>

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2012, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 192,331	\$ 547,257
Charter School Fund	128,941	66,618
Deferred Maintenance Fund	412,296	479
Nonmajor Funds:		
Child Development Fund		4,890
Cafeteria Fund	<u>5,665</u>	<u>119,989</u>
Totals	<u>\$ 739,233</u>	<u>\$ 739,233</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2011-2012 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 18,059	\$ 357,646
Capital Facilities Fund		2,554
Deferred Maintenance Fund	298,341	
Nonmajor Funds:		
Cafeteria Fund		15,100
Tax Override Fund		50
Special Reserve Fund	<u>58,950</u>	
Totals	<u>\$ 375,350</u>	<u>\$ 375,350</u>

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

	Balance July 1, 2011	Additions	Deductions	Transfer from Reorganized LEA	Balance June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 1,872,903	\$ -	\$ -	\$ 5,352	\$ 1,878,255
Construction in progress	275,542	821,664	494,608		602,598
Total capital assets, not being depreciated	<u>\$ 2,148,445</u>	<u>\$ 821,664</u>	<u>\$ 494,608</u>	<u>\$ 5,352</u>	<u>\$ 2,480,853</u>
Capital assets, being depreciated:					
Buildings and improvements	\$ 37,511,950	\$ 585,555	\$ -	\$ 3,875,489	\$ 41,972,994
Equipment	3,483,130	479,193		75,462	4,037,785
Total capital assets, being depreciated	<u>40,995,080</u>	<u>1,064,748</u>		<u>3,950,951</u>	<u>46,010,779</u>
Less accumulated depreciation for:					
Buildings and improvements	12,794,599	1,108,304		1,498,528	15,401,431
Equipment	2,711,441	219,595		48,618	2,979,654
Total accumulated depreciation	<u>15,506,040</u>	<u>1,327,899</u>		<u>1,547,146</u>	<u>18,381,085</u>
Total capital assets, being depreciated, net	<u>\$ 25,489,040</u>	<u>\$ (263,151)</u>	<u>\$ -</u>	<u>\$ 2,403,805</u>	<u>\$ 27,629,694</u>
Net capital assets	<u>\$ 27,637,485</u>	<u>\$ 558,513</u>	<u>\$ 494,608</u>	<u>\$ 2,409,157</u>	<u>\$ 30,110,547</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	<u>\$ 1,327,899</u>
Total depreciation expense	<u>\$ 1,327,899</u>

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the Orcutt Union School District at June 30, 2012, is:

Date Of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2011	Issued Current Year	Redeemed Current Fiscal Year	Transfer from Reorganized LEA	Balance June 30, 2012
2001	4.8%-7.0%	2031	\$ 5,000,000	\$ 3,990,000	\$ -	\$ 3,990,000	\$ -	\$ -
2005	2.5%-4.5%	2030	9,710,000	8,765,000		305,000		8,460,000
1998	3.9%-4.35%	2028	1,000,000			720,000	745,000	25,000
1999	3.9%-4.25%	2019	525,000			270,000	300,000	30,000
1999	3.5%	2028	475,000			470,000	470,000	
2012	2.0%-4.0%	2031	4,150,000		4,150,000			4,150,000
2012	2.0%-3.5%	2028	1,525,000		1,525,000			1,525,000
			<u>\$ 22,385,000</u>	<u>\$ 12,755,000</u>	<u>\$ 5,675,000</u>	<u>\$ 5,755,000</u>	<u>\$ 1,515,000</u>	<u>\$ 14,190,000</u>

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7 – BONDED DEBT (Continued)

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 575,000	\$ 506,969	\$ 1,081,969
2014	575,000	503,618	1,078,618
2015	590,000	483,879	1,073,879
2016	610,000	463,477	1,073,477
2017	640,000	441,739	1,081,739
2018-2022	3,545,000	1,869,964	5,414,964
2023-2027	4,210,000	1,180,436	5,390,436
2028-2031	<u>3,445,000</u>	<u>292,466</u>	<u>3,737,466</u>
Totals	<u>\$14,190,000</u>	<u>\$ 5,742,548</u>	<u>\$ 19,932,548</u>

NOTE 8 - CAPITAL LEASE PAYABLE

The District is leasing real property valued at \$674,500, under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payment</u>
2013	\$ 61,001
Total	61,001
Less amount representing interest	(1,314)
Present value of net minimum lease payments	<u>\$ 59,687</u>

NOTE 9 – DEFEASED DEBT

On February 16, 2012, the District defeased \$5,275,000 of previous issued general obligation bonds with the issuance of \$5,675,000 of new general obligation bonds. The District placed \$5,404,018, in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. The bonds are considered defeased and the related liability has been removed from the government-wide financial statements. The amount of outstanding bonds considered defeased at June 30, 2012 was \$5,275,000. The District will recognize a savings of \$607,006 over the life of the bonds.

NOTE 10– LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2012, is shown below:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfer from Reorganized LEA</u>	<u>Balance June 30, 2012</u>	<u>Due within One Year</u>
Compensated absences	\$ 196,696	\$ 184,142	\$ 197,557	\$ -	\$ 183,281	\$ -
Bonds payable	12,755,000	5,675,000	5,755,000	1,515,000	14,190,000	575,000
Capital lease	136,924		77,237		59,687	59,687
OPEB obligation	<u>1,084,510</u>	<u>733,515</u>	<u>257,942</u>		<u>1,560,083</u>	
	<u>\$ 14,173,130</u>	<u>\$ 6,592,657</u>	<u>\$ 6,287,736</u>	<u>\$ 1,515,000</u>	<u>\$ 15,993,051</u>	<u>\$ 634,687</u>

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 11 - JOINT VENTURES (Joint Powers Agreements)

The Orcutt Union School District participates in three joint ventures under joint powers agreements (JPA's); the Self-Insurance Program for Employees, the Self-Insured Schools of California II, and the Self-Insured Schools of California III. The relationship between the Orcutt Union School District and the JPA's are such that none of the JPAs are a component unit of the Orcutt Union School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

Self-Insurance Program for Employees (S.I.P.E.)

S.I.P.E. was established to provide the services and other items necessary and appropriate for the development, operation and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budgeting decisions.

Self-Insured School of California II (S.I.S.C. II)

S.I.S.C. II arranges for and provides property and liability insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of coverage requested.

Self-Insured School of California III (S.I.S.C. III)

S.I.S.C III arranges for and provides health and welfare insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of health and welfare insurance provided.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 13 - EMPLOYEES' RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The Orcutt Union School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS' annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Orcutt Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011/2012, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statutes. The Orcutt Union School District's contributions to STRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$1,477,699, \$1,354,337, and \$1,328,523, respectively, and equal 100% of the required contributions for each fiscal year.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The Orcutt Union School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Orcutt Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2011-2012, was 10.923% of annual payroll. The contribution requirements of the plan members are established by State statute. The Orcutt Union School District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$475,850, \$436,137, and \$408,453, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District provides post-retirement health benefits to all retirees with ten years of service who retire from the District and have reached the minimum age of 55. The duration of the benefits are 5 years but not beyond age 65.

Funding Policy

The District pays 100% of the health benefits for retirees and 80% of the coverage for two-party or family coverage for certified retirees and for management/confidential retirees hired after July 1, 2005. The District pays 100% of two-party or family coverage for classified retirees and 100% for management/confidential retirees hired prior to July 1, 2005. During fiscal year 2011-2012, expenditures of \$257,942 were recognized for post-retirement health insurance contributions on a pay as you go basis.

The District is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the 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 liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2012, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

	Fiscal Year
	Ended June 30, 2012
Annual Required Contributions	\$ 679,290
Interest on Net OPEB Obligation/(Asset)	54,225
Annual OPEB costs (expense)	733,515
Contributions made	257,942
Increase in Net OPEB Obligation/(Asset)	475,573
Net OPEB Obligation/(Asset) - beginning of fiscal year	1,084,510
Net OPEB Obligation/(Asset) - end of fiscal year	\$ 1,560,083

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation/(Asset) (Continued)

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligations/(Asset) are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 733,515	\$ 257,942	35%	\$ 1,560,083
June 30, 2011	\$ 679,290	\$ 256,494	38%	\$ 1,084,510
June 30, 2010	\$ 581,380	\$ 243,692	42%	\$ 661,714

Funded Status and Funding Progress

The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 1, 2010	\$ 0	\$ 5,885,842	\$ 5,885,842	0.00%	\$ 22,530,265	26%

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 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2010, actuarial valuation, the level percentage of payroll method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4 percent. The actuarial value of plan assets was not calculated in this, for the first actuarial valuation, as there are no assets to value. The plan unfunded actuarial accrued liability is being amortized over a 30-year amortization period.

The District did not pre-fund retiree healthcare costs nor establish an irrevocable trust for retiree healthcare costs. The District did establish a separate cash account and reserve of fund balance, in the amount of \$1,993,917. However, because the assets are not in an irrevocable trust, the \$1,993,917 cannot be used to reduce the actuarial accrued liability shown above. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

NOTE 15 – NET ASSETS

The government-wide proprietary, and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

ORCUTT UNION SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 16 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Deferred Maintenance Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	\$ 13,928	\$ -	\$ -	\$ -	\$ -	\$ 13,928
Stores inventories	7,095				23,059	30,154
Prepaid items	15,912	11,061				26,973
Restricted						
English language acquisition	1,756					1,756
Lottery: instructional materials	211,029					211,029
Economic impact aid	372,298					372,298
Other local	72,770	104,272				177,042
Child nutrition					1,308,818	1,308,818
Debt service					1,185,917	1,185,917
Capital projects				2,833,629		2,833,629
Committed						
Postemployment benefits	1,993,917					1,993,917
Deferred maintenance projects			2,228,286			2,228,286
Capital projects					11,349	11,349
Assigned						
School site budgets	216,650					216,650
Program budgets	102,368					102,368
Technology	100,000					100,000
Instructional materials	100,000					100,000
Restoration fund for positions	78,000					78,000
Declining enrollment	254,000					254,000
Compensated absences	20,000					20,000
Final State budget resolution	3,629,849					3,629,849
Capital projects					486,871	486,871
Charter school		1,574,027				1,574,027
Unassigned	975,628					975,628
Total	<u>\$ 8,165,200</u>	<u>\$ 1,689,360</u>	<u>\$ 2,228,286</u>	<u>\$ 2,833,629</u>	<u>\$ 3,016,014</u>	<u>\$17,932,489</u>

NOTE 17- TRANSFERS FROM REORGANIZED DISTRICT

On July 1, 2011, the Los Alamos School District was merged into the Orcutt Union School District. Fund balances transferred to the Orcutt Union School District were \$1,090,640. Capital Assets of \$2,409,157 and bonds payable of \$1,515,000 were also transferred.

REQUIRED SUPPLEMENTARY INFORMATION

ORCUTT UNION SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 13,824,961	\$ 13,924,374	\$ 13,977,792	\$ 53,418
Local Sources	8,572,929	9,068,418	9,004,149	(64,269)
Federal Revenue	1,135,057	1,448,660	1,811,521	362,861
Other State Revenue	4,866,643	5,214,521	5,211,495	(3,026)
Other Local Revenue	1,178,819	1,784,808	1,952,647	167,839
Total Revenues	<u>29,578,409</u>	<u>31,440,781</u>	<u>31,957,604</u>	<u>516,823</u>
Expenditures:				
Current:				
Certificated Salaries	16,596,149	16,410,678	16,268,311	142,367
Classified Salaries	4,733,129	5,084,846	5,082,921	1,925
Employee Benefits	5,934,173	6,250,912	6,130,609	120,303
Books And Supplies	1,635,811	2,160,529	1,234,573	925,956
Services And Other Operating Expenditures	1,966,484	2,514,619	2,470,472	44,147
Direct Support/Indirect Costs	(62,617)	(72,829)	(63,871)	(8,958)
Capital Outlay	312,373	783,273	759,951	23,322
Debt Service:				
Principal	67,750	77,750	77,237	513
Interest	13,585	13,585	4,098	9,487
Total Expenditures	<u>31,196,837</u>	<u>33,223,363</u>	<u>31,964,301</u>	<u>1,259,062</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,618,428)</u>	<u>(1,782,582)</u>	<u>(6,697)</u>	<u>1,775,885</u>
Other Financing Sources (Uses):				
Transfers In	205,000	215,411	18,059	(197,352)
Transfers Out	(592,070)	(556,665)	(357,646)	199,019
Other Sources	-	252,899	230,534	(22,365)
Total Other Financing Sources (Uses)	<u>(387,070)</u>	<u>(88,355)</u>	<u>(109,053)</u>	<u>(20,698)</u>
Net Change in Fund Balance	(2,005,498)	(1,870,937)	(115,750)	1,755,187
Fund Balance, July 1	8,280,950	8,280,950	8,280,950	-
Fund Balance, June 30	<u>\$ 6,275,452</u>	<u>\$ 6,410,013</u>	<u>\$ 8,165,200</u>	<u>\$ 1,755,187</u>

ORCUTT UNION SCHOOL DISTRICT

CHARTER SCHOOL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 2,395,349	\$ 2,346,908	\$ 2,387,895	\$ 40,987
Local Sources	1,136,756	1,251,936	1,216,424	(35,512)
Federal Revenue	-	1,515	57,314	55,799
Other State Revenue	413,783	514,767	515,167	400
Other Local Revenue	12,331	334,834	330,078	(4,756)
Total Revenues	<u>3,958,219</u>	<u>4,449,960</u>	<u>4,506,878</u>	<u>56,918</u>
Expenditures:				
Current:				
Certificated Salaries	1,816,539	1,865,220	1,842,231	22,989
Classified Salaries	334,413	374,180	367,598	6,582
Employee Benefits	653,112	663,004	647,988	15,016
Books And Supplies	274,034	485,461	338,468	146,993
Services And Other Operating Expenditures	445,349	865,479	838,587	26,892
Capital Outlay	10,000	67,000	66,561	439
Total Expenditures	<u>3,533,447</u>	<u>4,320,344</u>	<u>4,101,433</u>	<u>218,911</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>424,772</u>	<u>129,616</u>	<u>405,445</u>	<u>275,829</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balance	424,772	129,616	405,445	275,829
Fund Balance, July 1	1,283,915	1,283,915	1,283,915	-
Fund Balance, June 30	<u>\$ 1,708,687</u>	<u>\$ 1,413,531</u>	<u>\$ 1,689,360</u>	<u>\$ 275,829</u>

JRCUTT UNION SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other State Revenue	\$ -	\$ 298,288	\$ 298,288	\$ -
Other Local Revenue	10,000	10,000	11,851	1,851
Total Revenues	<u>10,000</u>	<u>308,288</u>	<u>310,139</u>	<u>1,851</u>
Expenditures:				
Current:				
Classified Salaries	40,000	34,700	-	34,700
Employee Benefits	8,485	8,812	479	8,333
Capital Outlay	722,962	151,174	151,078	96
Total Expenditures	<u>771,447</u>	<u>194,686</u>	<u>151,557</u>	<u>43,129</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(761,447)</u>	<u>113,602</u>	<u>158,582</u>	<u>44,980</u>
Other Financing Sources (Uses):				
Transfers In	334,053	298,288	298,341	53
Other Sources	-	247,124	247,124	-
Total Other Financing Sources (Uses)	<u>334,053</u>	<u>545,412</u>	<u>545,465</u>	<u>53</u>
Net Change in Fund Balance	<u>(427,394)</u>	<u>659,014</u>	<u>704,047</u>	<u>45,033</u>
Fund Balance, July 1	<u>1,524,239</u>	<u>1,524,239</u>	<u>1,524,239</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,096,845</u>	<u>\$ 2,183,253</u>	<u>\$ 2,228,286</u>	<u>\$ 45,033</u>

ORCUTT UNION SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The following table provides required supplementary information regarding the District's post employment healthcare benefits.

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
12/01/10	\$ -	\$ 5,585,842	\$ 5,885,842	0.0%	\$ 22,530,265	26%
12/01/08	\$ -	\$ 5,051,407	\$ 5,051,407	0.0%	\$ 21,805,809	23%

SUPPLEMENTARY INFORMATION SECTION

ORCUTT UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,212,405	\$ 1,184,023	\$ 500,844	\$ 2,897,272
Cash on Hand and in Banks	20,605	-	-	20,605
Accounts Receivable	203,330	1,894	776	206,000
Due from Other Funds	5,665	-	-	5,665
Stores Inventories	23,059	-	-	23,059
Total Assets	<u>\$ 1,465,064</u>	<u>\$ 1,185,917</u>	<u>\$ 501,620</u>	<u>\$ 3,152,601</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 8,308	\$ -	\$ 3,400	\$ 11,708
Due to Other Funds	124,879	-	-	124,879
Total Liabilities	<u>133,187</u>	<u>-</u>	<u>3,400</u>	<u>136,587</u>
Fund Balances:				
Nonspendable	23,059	-	-	23,059
Restricted	1,308,818	1,185,917	-	2,494,735
Committed	-	-	11,349	11,349
Assigned	-	-	486,871	486,871
Total Fund Balances	<u>1,331,877</u>	<u>1,185,917</u>	<u>498,220</u>	<u>3,016,014</u>
Total Liabilities and Fund Balances	<u>\$ 1,465,064</u>	<u>\$ 1,185,917</u>	<u>\$ 501,620</u>	<u>\$ 3,152,601</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal Revenue	\$ 993,532	\$ -	\$ -	\$ 993,532
Other State Revenue	235,704	14,776	-	250,480
Other Local Revenue	646,245	1,052,857	2,908	1,702,010
Total Revenues	<u>1,875,481</u>	<u>1,067,633</u>	<u>2,908</u>	<u>2,946,022</u>
Expenditures:				
Instruction	148,297	-	-	148,297
Instruction - Related Services	1,008	-	-	1,008
Pupil Services	1,482,267	-	-	1,482,267
General Administration	63,871	-	-	63,871
Plant Services	61,125	270,982	26,214	358,321
Debt Service:				
Principal	-	480,000	-	480,000
Interest	-	627,190	-	627,190
Total Expenditures	<u>1,756,568</u>	<u>1,378,172</u>	<u>26,214</u>	<u>3,160,954</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>118,913</u>	<u>(310,539)</u>	<u>(23,306)</u>	<u>(214,932)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	58,950	58,950
Transfers Out	(15,100)	(50)	-	(15,150)
Transfers From Reorganized LEA	22,584	147,731	11,349	181,664
Proceeds of Refunding Debt	-	5,675,000	-	5,675,000
Payment to Refunded Debt Escrow Agent	-	(5,404,018)	-	(5,404,018)
Total Other Financing Sources (Uses)	<u>7,484</u>	<u>418,663</u>	<u>70,299</u>	<u>496,446</u>
Net Change in Fund Balances	126,397	108,124	46,993	281,514
Fund Balances, July 1	1,205,480	1,077,793	451,227	2,734,500
Fund Balances, June 30	<u>\$ 1,331,877</u>	<u>\$ 1,185,917</u>	<u>\$ 498,220</u>	<u>\$ 3,016,014</u>

ORCUTT UNION SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2012

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash in County Treasury	\$ 1,042	\$ 1,211,363	\$ 1,212,405
Cash on Hand and in Banks	-	20,605	20,605
Accounts Receivable	3,861	199,469	203,330
Due from Other Funds	-	5,665	5,665
Stores Inventories	-	23,059	23,059
Total Assets	<u>\$ 4,903</u>	<u>\$ 1,460,161</u>	<u>\$ 1,465,064</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 13	\$ 8,295	\$ 8,308
Due to Other Funds	4,890	119,989	124,879
Total Liabilities	<u>4,903</u>	<u>128,284</u>	<u>133,187</u>
Fund Balances:			
Nonspendable	-	23,059	23,059
Restricted	-	1,308,818	1,308,818
Total Fund Balances	<u>-</u>	<u>1,331,877</u>	<u>1,331,877</u>
Total Liabilities and Fund Balances	<u>\$ 4,903</u>	<u>\$ 1,460,161</u>	<u>\$ 1,465,064</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	\$ -	\$ 993,532	\$ 993,532
Other State Revenue	153,526	82,178	235,704
Other Local Revenue	212	646,033	646,245
Total Revenues	<u>153,738</u>	<u>1,721,743</u>	<u>1,875,481</u>
Expenditures:			
Instruction	148,297	-	148,297
Instruction - Related Services	1,008	-	1,008
Pupil Services	-	1,482,267	1,482,267
General Administration	4,433	59,438	63,871
Plant Services	-	61,125	61,125
Total Expenditures	<u>153,738</u>	<u>1,602,830</u>	<u>1,756,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>118,913</u>	<u>118,913</u>
Other Financing Sources (Uses):			
Transfers Out	-	(15,100)	(15,100)
Transfers From Reorganized LEA	-	22,584	22,584
Total Other Financing Sources (Uses)	<u>-</u>	<u>7,484</u>	<u>7,484</u>
Net Change in Fund Balances	-	126,397	126,397
Fund Balances, July 1	-	1,205,480	1,205,480
Fund Balances, June 30	<u>\$ -</u>	<u>\$ 1,331,877</u>	<u>\$ 1,331,877</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

JUNE 30, 2012

	Bond Interest & Redemption	Tax Override Fund	Total Nonmajor Debt Service Funds
ASSETS:			
Cash in County Treasury	\$ 1,184,023	\$ -	\$ 1,184,023
Accounts Receivable	1,894	-	1,894
Total Assets	<u>\$ 1,185,917</u>	<u>\$ -</u>	<u>\$ 1,185,917</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	\$ -	\$ -	\$ -
Fund Balances:			
Restricted	1,185,917	-	1,185,917
Total Fund Balance	<u>1,185,917</u>	<u>-</u>	<u>1,185,917</u>
Total Liabilities and Fund Balances	<u>\$ 1,185,917</u>	<u>\$ -</u>	<u>\$ 1,185,917</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Bond Interest & Redemption Fund	Tax Override Fund	Total Nonmajor Debt Service Funds
Revenues:			
Other State Revenue	\$ 14,776	\$ -	\$ 14,776
Other Local Revenue	1,052,857	-	1,052,857
Total Revenues	<u>1,067,633</u>	<u>-</u>	<u>1,067,633</u>
Expenditures:			
Plant Services	270,982	-	270,982
Debt Service:			
Principal	480,000	-	480,000
Interest	627,190	-	627,190
Total Expenditures	<u>1,378,172</u>	<u>-</u>	<u>1,378,172</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(310,539)</u>	<u>-</u>	<u>(310,539)</u>
Other Financing Sources (Uses):			
Transfers Out	-	(50)	(50)
Transfers From Reorganized LEA	147,731	-	147,731
Proceeds of Refunding Debt	5,675,000	-	5,675,000
Payment to Refunded Debt Escrow Agent	(5,404,018)	-	(5,404,018)
Total Other Financing Sources (Uses)	<u>418,713</u>	<u>(50)</u>	<u>418,663</u>
Net Change in Fund Balances	108,174	(50)	108,124
Fund Balances, July 1	1,077,743	50	1,077,793
Fund Balances, June 30	<u>\$ 1,185,917</u>	<u>\$ -</u>	<u>\$ 1,185,917</u>

ORCUTT UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	Building Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
ASSETS:			
Cash in County Treasury	\$ 11,349	\$ 489,495	\$ 500,844
Accounts Receivable	-	776	776
Total Assets	<u>\$ 11,349</u>	<u>\$ 490,271</u>	<u>\$ 501,620</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ -	\$ 3,400	\$ 3,400
Total Liabilities	<u>-</u>	<u>3,400</u>	<u>3,400</u>
Fund Balances:			
Committed	11,349	-	11,349
Assigned	-	486,871	486,871
Total Fund Balances	<u>11,349</u>	<u>486,871</u>	<u>498,220</u>
Total Liabilities and Fund Balances	<u>\$ 11,349</u>	<u>\$ 490,271</u>	<u>\$ 501,620</u>

ORCUTT UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Building Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Other Local Revenue	\$ -	\$ 2,908	\$ 2,908
Total Revenues	-	2,908	2,908
Expenditures:			
Plant Services	-	26,214	26,214
Total Expenditures	-	26,214	26,214
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(23,306)	(23,306)
Other Financing Sources (Uses):			
Transfers In	-	58,950	58,950
Transfers From Reorganized LEA	11,349	-	11,349
Total Other Financing Sources (Uses)	11,349	58,950	70,299
Net Change in Fund Balances	11,349	35,644	46,993
Fund Balances, July 1	-	451,227	451,227
Fund Balances, June 30	\$ 11,349	\$ 486,871	\$ 498,220

ORCUTT UNION SCHOOL DISTRICT

CHILD DEVELOPMENT FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 155,426	\$ 153,526	\$ (1,900)
Other Local Revenue	200	212	12
Total Revenues	<u>155,626</u>	<u>153,738</u>	<u>(1,888)</u>
Expenditures:			
Current:			
Certificated Salaries	73,271	73,190	81
Classified Salaries	48,240	48,226	14
Employee Benefits	22,273	22,272	1
Books And Supplies	5,556	3,785	1,771
Services And Other Operating Expenditures	1,836	1,832	4
Direct Support/Indirect Costs	4,451	4,433	18
Total Expenditures	<u>155,627</u>	<u>153,738</u>	<u>1,889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1)</u>	<u>-</u>	<u>1</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1)	-	1
Fund Balance, July 1	-	-	-
Fund Balance, June 30	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

ORCUTT UNION SCHOOL DISTRICT

CAFETERIA FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	\$ 995,000	\$ 993,532	\$ (1,468)
Other State Revenue	73,000	82,178	9,178
Other Local Revenue	725,500	646,033	(79,467)
Total Revenues	<u>1,793,500</u>	<u>1,721,743</u>	<u>(71,757)</u>
Expenditures:			
Current:			
Classified Salaries	652,702	638,147	14,555
Employee Benefits	213,486	191,585	21,901
Books And Supplies	646,478	623,635	22,843
Services And Other Operating Expenditures	39,300	32,573	6,727
Direct Support/Indirect Costs	66,843	59,438	7,405
Capital Outlay	61,300	57,452	3,848
Total Expenditures	<u>1,680,109</u>	<u>1,602,830</u>	<u>77,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>113,391</u>	<u>118,913</u>	<u>5,522</u>
Other Financing Sources (Uses):			
Transfers Out	(10,000)	(15,100)	(5,100)
Transfers From Reorganized LEA	22,584	22,584	-
Total Other Financing Sources (Uses)	<u>12,584</u>	<u>7,484</u>	<u>(5,100)</u>
Net Change in Fund Balance	125,975	126,397	422
Fund Balance, July 1	1,205,480	1,205,480	-
Fund Balance, June 30	<u>\$ 1,331,455</u>	<u>\$ 1,331,877</u>	<u>\$ 422</u>

ORCUTT UNION SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 14,640	\$ 14,776	\$ 136
Other Local Revenue	1,095,943	1,052,857	(43,086)
Total Revenues	<u>1,110,583</u>	<u>1,067,633</u>	<u>(42,950)</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	-	270,982	(270,982)
Debt Service:			
Principal	480,000	480,000	-
Interest	639,411	627,190	12,221
Total Expenditures	<u>1,119,411</u>	<u>1,378,172</u>	<u>(258,761)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,828)</u>	<u>(310,539)</u>	<u>(301,711)</u>
Other Financing Sources (Uses):			
Transfers From Reorganized LEA	147,732	147,731	(1)
Proceeds of Refunding Debt	-	5,675,000	5,675,000
Payment to Refunded Debt Escrow Agent	-	(5,404,018)	(5,404,018)
Total Other Financing Sources (Uses)	<u>147,732</u>	<u>418,713</u>	<u>270,981</u>
Net Change in Fund Balance	138,904	108,174	(30,730)
Fund Balance, July 1	1,077,743	1,077,743	-
Fund Balance, June 30	<u>\$ 1,216,647</u>	<u>\$ 1,185,917</u>	<u>\$ (30,730)</u>

ORCUTT UNION SCHOOL DISTRICT

TAX OVERRIDE FUND

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Total Revenues	\$ -	\$ -	\$ -
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses):			
Transfers Out	(50)	(50)	-
Total Other Financing Sources (Uses)	(50)	(50)	-
Net Change in Fund Balance	(50)	(50)	-
Fund Balance, July 1	50	50	-
Fund Balance, June 30	\$ -	\$ -	\$ -

ORCUTT UNION SCHOOL DISTRICT

BUILDING FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Total Revenues	\$ -	\$ -	\$ -
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses):			
Other Sources	11,349	11,349	-
Total Other Financing Sources (Uses)	11,349	11,349	-
Net Change in Fund Balance	11,349	11,349	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	\$ 11,349	\$ 11,349	\$ -

ORCUTT UNION SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 3,000	\$ 2,908	\$ (92)
Total Revenues	<u>3,000</u>	<u>2,908</u>	<u>(92)</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	<u>26,250</u>	<u>26,214</u>	<u>36</u>
Total Expenditures	<u>26,250</u>	<u>26,214</u>	<u>36</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,250)</u>	<u>(23,306)</u>	<u>(56)</u>
Other Financing Sources (Uses):			
Transfers In	<u>59,017</u>	<u>58,950</u>	<u>(67)</u>
Total Other Financing Sources (Uses)	<u>59,017</u>	<u>58,950</u>	<u>(67)</u>
Net Change in Fund Balance	35,767	35,644	(123)
Fund Balance, July 1	451,227	451,227	-
Fund Balance, June 30	<u>\$ 486,994</u>	<u>\$ 486,871</u>	<u>\$ (123)</u>

ORCUTT UNION SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2012

During the fiscal year, the District has eight elementary schools with grades kindergarten through eighth, and one charter school with grades kindergarten through twelfth. During the fiscal year, the Los Alamos School District merged with the District, which increased the boundaries of the Orcutt Union School District by 69.69 square miles.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Rob Buchanan	President	2014
Kathleen Meissner	Clerk	2012
Dr. James Peterson	Member	2014
Robert Hatch	Member	2014
Janet Zilli	Member	2012

ADMINISTRATION

Robert Bush
District Superintendent

Marysia Ochej
Assistant Superintendent, Business Services

Jan Yanagisako
Assistant Superintendent, Human Resources

Holly Edds, Ed. D.
Assistant Superintendent, Educational Services

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten	405.67	405.66
Grades one through three	1,362.55	1,365.15
Grades four through six	1,365.76	1,362.45
Grades seven and eight	1,005.75	1,001.02
Special education	77.02	77.46
Home or hospital	.60	.55
Extended year	<u>2.92</u>	<u>2.92</u>
Elementary totals	<u>4,220.27</u>	<u>4,215.21</u>
Charter School – Classroom Based Instruction		
Kindergarten	8.61	8.63
Grades one through three	25.77	25.72
Grades four through six	25.70	25.76
Grades seven through eight	16.93	16.89
Grade nine through twelve	<u>470.60</u>	<u>470.46</u>
Charter School Classroom Based Instruction totals	<u>547.61</u>	<u>547.46</u>
Charter School – Nonclassroom Based Instruction		
Kindergarten	11.91	11.94
Grades one through three	25.14	25.32
Grades four through six	12.68	14.44
Grades seven through eight	10.14	10.87
Grade nine through twelve	<u>.79</u>	<u>.85</u>
Charter School Nonclassroom Based Instruction totals	<u>60.66</u>	<u>63.42</u>
Total Charter School	<u>608.27</u>	<u>610.88</u>

Average daily attendance 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.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	1982-83	Revised 1982-83	1986-87	Revised 1986-87	2011-12	Number of days	
Grade	Actual	Minutes	Minutes	Minutes	Actual	Traditional	
Level	Minutes	Requirement	Requirement	Requirement	Minutes	Calendar	Status
Elementary							
Kindergarten	31,500	29,400	36,000	33,600	36,000	180	In compliance
Grade 1	42,875	40,017	50,400	47,040	51,290	180	In compliance
Grade 2	42,875	40,017	50,400	47,040	51,290	180	In compliance
Grade 3	42,875	40,017	50,400	47,040	52,960	180	In compliance
Grade 4	54,425	50,797	54,000	50,400	54,515	180	In compliance
Grade 5	54,425	50,797	54,000	50,400	54,515	180	In compliance
Grade 6	54,425	50,797	54,000	50,400	54,515	180	In compliance
Grade 7	54,425	50,797	54,000	50,400	56,220	180	In compliance
Grade 8	54,425	50,797	54,000	50,400	56,220	180	In compliance
Charter School							
Kindergarten	*	*	36,000	33,531	55,400	180	In compliance
Grade 1	*	*	50,400	46,944	54,695	180	In compliance
Grade 2	*	*	50,400	46,944	54,695	180	In compliance
Grade 3	*	*	50,400	46,944	54,695	180	In compliance
Grade 4	*	*	54,000	50,297	54,695	180	In compliance
Grade 5	*	*	54,000	50,297	54,695	180	In compliance
Grade 6	*	*	54,000	50,297	57,425	180	In compliance
Grade 7	*	*	54,000	50,297	57,680	180	In compliance
Grade 8	*	*	54,000	50,297	57,680	180	In compliance
Grade 9	*	*	64,800	60,357	63,440	180	In compliance
Grade 10	*	*	64,800	60,357	63,440	180	In compliance
Grade 11	*	*	64,800	60,357	63,440	180	In compliance
Grade 12	*	*	64,800	60,357	63,440	180	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 minutes requirement, whichever is greater by Education Code Section 46201.

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

* Charter School was not in existence in 1982-83

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>General Fund (1)</u>	<u>(Budget) 2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues and other financial sources	\$ <u>27,844,825</u>	\$ <u>32,194,499</u>	\$ <u>30,603,231</u>	\$ <u>29,639,937</u>
Expenditures	30,335,923	31,964,301	29,481,329	28,682,816
Other uses and transfers out	<u>556,358</u>	<u>556,646</u>	<u>691,437</u>	<u>792,828</u>
Total outgo	<u>30,892,281</u>	<u>32,520,947</u>	<u>30,172,766</u>	<u>29,475,644</u>
Change in fund balance	<u>(3,047,456)</u>	<u>(326,448)</u>	<u>430,465</u>	<u>164,293</u>
Ending fund balance	\$ <u>3,123,827</u>	\$ <u>6,171,283</u>	\$ <u>6,497,731</u>	\$ <u>6,067,266</u>
Available reserves	\$ <u>2,437,550</u>	\$ <u>5,476,495</u>	\$ <u>6,109,349</u>	\$ <u>5,772,763</u>
Designated for economic uncertainties	\$ <u>926,770</u>	\$ <u>975,628</u>	\$ <u>905,183</u>	\$ <u>884,269</u>
Undesignated fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Available reserves as a percentage of total outgo	7.9%	16.8%	20.2%	19.6%
Total long-term debt	\$ 15,358,364	\$ 15,993,051	\$ 14,173,130	\$ 14,269,784
Average daily attendance at P-2	4,090	4,220	4,110	4,156

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal 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.

The General Fund balance has increased by \$104,017 over the past two fiscal years. The fiscal year 2012-13 budget projects a decrease of \$3,047,456. For a District this size, the State recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years, and anticipates a deficit during the 2012-13 fiscal year. Total long-term debt has increased by \$1,723,267 over the past two fiscal years.

Average daily attendance has increased by 64 over the past two fiscal years. A decrease of 130 ADA is anticipated during the fiscal year 2012-13.

- (1) General Fund amounts do not include activity related to the consolidation of the Postemployment Benefits Fund as required by GASB Statement No. 54.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
JUNE 30, 2012

<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Orcutt Academy	Included

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
U.S. Department of Education:			
Passed through the California			
Department of Education:			
Title I	84.010	3010	\$ 368,471
English Language Acquisition	84.365	4203	78,583
Special Education	84.027	3310	738,052
ARRA Special Education	84.391	3313	84,703
Special Education Preschool	84.173	3315	16,281
Special Education Preschool	84.027	3220	38,189
			877,225
Improving Teacher Quality	84.367	4035	102,196
Administrator Training	84.367	4036	3,000
			105,196
Ed Jobs	84.410	3205	439,360
Total U.S. Department of Education			1,868,835
U.S. Department of Agriculture:			
Passed through the California			
Department of Education:			
National School Lunch	10.555	5310	847,005
National School Breakfast	10.553	5310	146,527
Total U.S. Department of Agriculture			993,532
Total expenditures of federal awards			\$ 2,862,367

The accompanying note is an integral part of this schedule.

ORCUTT UNION SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orcutt Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 basic financial statements.

ORCUTT UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS JUNE 30, 2012

	General Fund	Cafeteria Fund	Deferred Maintenance Fund	Tax Override Fund
June 30, 2012, Annual Financial and Budget Report Fund Balances	<u>\$ 6,171,283</u>	<u>\$ 1,331,877</u>	<u>\$ 2,228,286</u>	<u>\$ -</u>
June 30, 2012, Audited Financial Statements Fund Balances	<u><u>\$ 6,171,283</u></u>	<u><u>\$ 1,331,877</u></u>	<u><u>\$ 2,228,286</u></u>	<u><u>\$ -</u></u>

	Long-Term Debt
June 30, 2012 Annual Financial and Budget Report Total Liabilities	<u>\$ 13,891,468</u>
Overstatement of capital lease	(72)
Understatement of bonds payable	1,865,000
Understatement of OPEB	<u>236,655</u>
June 30, 2012, Audited Financial Statements Long-Term Debt	<u><u>\$ 15,993,051</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities as reported on the annual financial and budget report to the audited financial statements.

<u>Capital Facilities Fund</u>	<u>Child Development Fund</u>	<u>Special Reserve Fund</u>	<u>Charter School Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Post Employment Benefits Fund</u>	<u>Self- Insurance Fund</u>	<u>Building Fund</u>
\$ 2,833,629	\$ -	\$ 486,871	\$ 1,689,360	\$ 1,185,917	\$ 1,993,917	\$ 13,250	\$ 11,349
<u>\$ 2,833,629</u>	<u>\$ -</u>	<u>\$ 486,871</u>	<u>\$ 1,689,360</u>	<u>\$ 1,185,917</u>	<u>\$ 1,993,917</u>	<u>\$ 13,250</u>	<u>\$ 11,349</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District (the District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the Orcutt Union School District's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, and the Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 10, 2012



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Orcutt Union School District
Orcutt, California

We have audited the Orcutt Union School District's compliance with the types of compliance requirements described in the Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2011-2012, issued by the California Education Audit Appeals Panel as regulations for the fiscal year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Orcutt Union School District's management. Our responsibility is to express an opinion on Orcutt Union School District's compliance based audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2011-2012, 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 noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Orcutt Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Orcutt Union School District's compliance with the state laws and regulations referred to above.

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

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Yes
Kindergarten continuance	3	Yes
Independent study	23	No (see next page)
Continuation education	10	Not applicable
Incentive for longer instructional day:		
School districts	6	Yes
County offices of education	3	Not applicable
Gann limit calculation	1	Yes
Early retirement incentive program	4	Not applicable
Classroom teacher salaries	1	Yes
Class size reduction:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
Only one school serving K-3	4	Not applicable

<u>Description</u>	<u>Procedures in Panel's Audit Guide</u>	<u>Procedures Performed</u>
Instructional materials fund:		
General requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
School accountability report card	3	Yes
Contemporaneous records of attendance, for charter schools	3	Yes
Nonclassroom-based instruction independent study, for charter schools	15	Yes
Mode of instruction, for charter schools	1	Yes
Determination of funding for nonclassroom-based instruction, for charter schools	3	Yes
Annual instructional minutes – classroom based, for charter schools	4	Yes
After school education and safety program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Public hearing requirement – receipt of funds	1	Yes
Teacher certification and misassignments	3	Yes
Juvenile court schools	8	Not applicable
Exclusion of pupils – pertussis immunization	2	Yes

We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

In our opinion, the Orcutt Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with the Education Audit Appeal Panel's, *Standards and Procedures for Audits of California K-12 Local Educational Agencies* and which is described in the accompanying Schedule of Findings and Questioned costs as item 2012-1. We did not audit Orcutt Union School District's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, and Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Remy & Hartigheim LLP

Santa Maria, California
December 10, 2012



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Orcutt Union School District
Orcutt, California

Compliance

We have audited Orcutt Union School District's 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 Orcutt Union School District's major federal programs for the year ended June 30, 2012. Orcutt Union 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Orcutt Union School District's management. Our responsibility is to express an opinion on Orcutt Union School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Orcutt Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Orcutt Union School District's compliance with those requirements.

In our opinion, Orcutt Union School District, complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of Orcutt Union School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Orcutt Union School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Orcutt Union 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Trustees, State Controller's Office, Department of Finance, Department of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Remy & Hertzheim LLP

Santa Maria, California

December 10, 2012

FINDINGS AND RECOMMENDATIONS SECTION

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)

_____ Yes X No

Identification of major programs

CFDA Number (s)

10.533, 10.555

84.410

Name of Federal Program or Cluster

Child Nutrition Cluster

Ed Jobs

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as low-risk auditee:

X Yes _____ No

State Awards

Internal control over state programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

X Yes _____ None reported

Type of auditor's report issued on compliance for
state programs:

Qualified

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section II – Financial Statements Findings

There were no financial statement findings.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs

There were no Federal Award findings and questioned costs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section IV- State Award Findings and Questioned Costs

FINDING 2012-1
EXCLUSION OF PUPILS – PERTUSSIS IMMUNIZATION
40000

Criteria:

Health and Safety Code Section 120335.1(a) requires verification that evidence was on file by the 30th calendar day after the pupil's first day of attendance in the school year 2011/12 of (1) a pertussis booster vaccine given on or after the pupil's 7th birthday, or (2) a pertussis booster immunization exemption statement.

Condition:

One student of 25 tested did not have immunization documentation on file by the 30th calendar day after the pupil's first day of attendance in the school year 2011/12. Accordingly, the number of days of attendance from the 31st day until evidence of vaccination was provided on September 27, 2011.

Effect:

The District over-reported attendance in the P-Annual by 2, the number of school days that student attended from September 23 through September 26, 2011. The total average daily attendance (ADA) the District overreported was .01 ADA.

Cause:

School personnel were not able to show that evidence was on file for the pertussis immunization before the deadline.

Questioned Costs:

\$0. Change in ADA is less than 1.

Recommendation:

The District should ensure that the pertussis immunization records are on file for all students by the 30th calendar day after the pupil's first day of attendance.

District's Corrective Action Plan:

The Office Manager, Enrollment Specialist, or other District Staff will place a date stamp on the copy of the immunization card or letter verifying vaccination recording the date initially received by the employee. The employee will initial that they have received the document next to the date. The document will then be forwarded to the Health Services Department. The Health Services Department will record the vaccination information in Aeries and print a current California School Immunization Record. The original copy of the immunization card or letter will be retained either in its original form, or in a scanned copy for verification of receipt by the Health Services Department.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section II – Financial Statements Findings

FINDING 2011-01
PAYROLL
30000

FINDING:

During our payroll test, we reviewed twenty-five vacation accruals. Out of the twenty-five, one employee's rate of vacation accrual did not match their contracted amount.

RECOMMENDATION:

The District should review that employee's rate of vacation hours being accrued matches the rate stated in the employee's contract, to help avoid payroll errors that may go undetected.

CURRENT STATUS:

Implemented.

FINDING 2011-02
REVOLVING ACCOUNT
30000

FINDING:

The District made cash advances out of the revolving fund to the Robotics Team. The receipts were not submitted to the District on a timely basis after the cash was used.

RECOMMENDATION:

Receipts for purchases should be retained and submitted on a timely basis to the District office.

CURRENT STATUS:

Implemented.

FINDING 2011-03
CLEARING ACCOUNT
30000

FINDING:

The District's Clearing bank account had \$28,295 which was reconciled with outstanding items to a balance of \$21,096. It did not appear that the District subsequently issued a check to bring these accounts to a near zero balance. This is an excessive amount of cash to be held in an account recorded at \$0 in the financial statements.

RECOMMENDATION:

The District should ensure that the Clearing account is cleared on a timely basis to the District's Cash with County account in order to ensure that all cash is recorded properly.

CURRENT STATUS:

Implemented.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

FINDING 2011-04
STUDENT BODY RECEIPTS
30000

FINDING:

During our testing of ASB fundraisers and the subsequent receipts we found internal controls to be insufficient.

RECOMMENDATION:

The District should review and improve its internal controls over ASB fundraising activities such as but not limited to the following recommendations. Before each fundraiser or major sale of goods is approved, a potential revenue form should be prepared and submitted for review. For items manufactured or held for sale, an inventory of items purchased, goods in production, and goods available for sale should be maintained. Individual receipts should be issued for each sale and a receipts book maintained for the Journalism Class's sales due to the high frequency and amount of sales.

CURRENT STATUS:

Implemented.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs

There were no Federal Award findings and questioned costs.

ORCUTT UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section IV- State Award Findings and Questioned Costs

There were no State Award findings and questioned costs.