

**ORCUTT UNION SCHOOL DISTRICT**

---

**ANNUAL FINANCIAL REPORT**

---

**JUNE 30, 2014**

# ORCUTT UNION SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2014

---

### ***FINANCIAL SECTION***

Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements	
Governmental Funds - Balance Sheet	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	26
Proprietary Funds - Statement of Net Position	27
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	28
Proprietary Funds - Statement of Cash Flows	29
Fiduciary Funds - Statement of Net Position	30
Notes to Financial Statements	31

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	59
Charter School Special Revenue Fund - Budgetary Comparison Schedule	60
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	61

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	63
Local Education Agency Organization Structure	64
Schedule of Average Daily Attendance	65
Schedule of Instructional Time	66
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	67
Schedule of Financial Trends and Analysis	68
Schedule of Charter Schools	69
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
Note to Supplementary Information	73

### ***INDEPENDENT AUDITORS' REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	76
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the OMB Circular A-133	78
Report on State Compliance	80

# ORCUTT UNION SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2014

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Summary of Auditors' Results	83
Financial Statement Findings	84
Federal Awards Findings and Questioned Costs	85
State Awards Findings and Questioned Costs	86
Summary Schedule of Prior Audit Findings	87
Management Letter	88

---

---

***FINANCIAL SECTION***

---

---



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Orcutt Union School District  
Orcutt, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orcutt Union School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 14 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 20 and budgetary comparison and other postemployment benefit information on pages 59 and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orcutt Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the Orcutt Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orcutt Union School District's internal control over financial reporting and compliance.

*Vannink, Tinn, Day & Co., LLP*

Rancho Cucamonga, California  
December 4, 2014

Where a Dedicated Staff Means  
**KIDS COME FIRST**

DEBORAH BLOW, Ed.D.  
*District Superintendent*  
HOLLY EDDS, Ed.D.  
*Assistant Superintendent*  
DON NICHOLSON  
*Assistant Superintendent*  
MARYSIA OCHEJ  
*Assistant Superintendent*

This section of Orcutt Union School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Orcutt Union School District.



# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether *its financial health is* improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

**Governmental Activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

---

**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-2014 fiscal year include the following:

- Total net position for the District is \$33,269,721. This is an increase of approximately six percent from prior year.
- The District maintained reserves for economic uncertainties which is calculated at three percent of General Fund expenditures and other financing uses.
- Capital Improvements realized for the year include the Joe Nightingale re-roof, Patterson Road hard-court improvement and the Lakeview Jr. High hard-court improvements for a total expenditure of approximately \$1 million dollars.
- This is the first year of the new state funding formula which is now the Local Control Funding Formula. (LCFF).
- Overall increase in funding from prior year Revenue Limit to the LCFF is 4.10 percent.
- Categoricals of approximately \$3.5 million were rolled into the LCFF. Almost \$2 million of this was flexed and used to backfill cuts made by the state in previous years.
- Negotiated increases with bargaining units provided an ongoing increase of four percent on the salary schedule and a four percent one-time off schedule increase in addition to health increases of approximately one-half percent. Total cost of the settlement was \$2.2 million dollars.

### 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 96.3 percent.

### Comparisons

In 2013-2014, the traditional District operated within the General Fund increased by 13 students while the Orcutt Academy Charter School, operated within Fund 09, increased by six students. The traditional district enrollment has stabilized and is projected to remain fairly flat in the upcoming years unless a significant local event affects demographics or if the district chooses to accept neighboring district's students. Unless the Independent Study portion of the Charter School increases, the Charter School is anticipated to flatten out as well. The Independent Study portion of the Charter School utilizes three classrooms at the Alice Shaw School site.

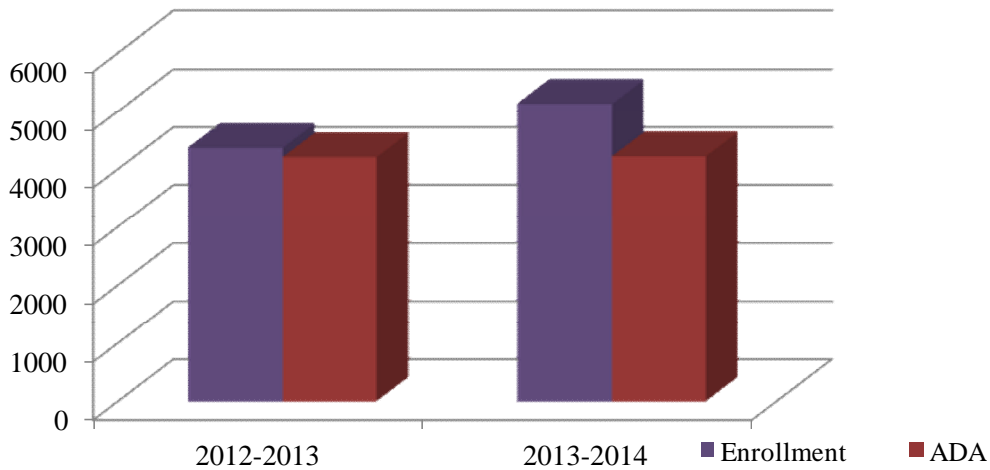
# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

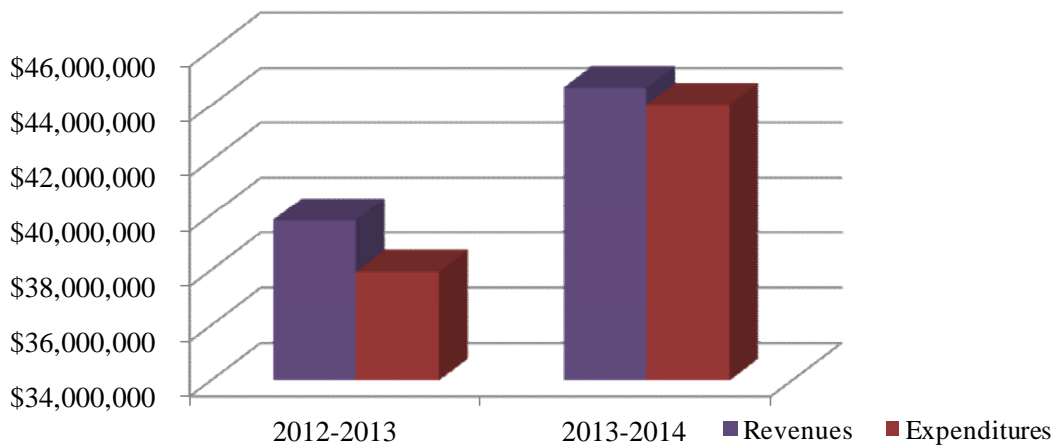
JUNE 30, 2014

---

### Chart A-1 Enrollment/ADA



### Chart A-2 Revenue/Expenditures All Governmental Funds



Total Local Control Funding Formula revenues in fiscal year 2013-2014 increased by approximately \$5.7 million dollars or 21 percent. In reality, however, LCFF only accounted for actual increases of \$2.2 million dollars or four percent, while total revenue for the District increased approximately \$3.6 million, or 8.9 percent. \$3.5 million dollars was transferred from Other State revenue to the LCFF which made it appear that LCFF generated more money than the District actually received.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

As exhibited below in Table A-1, with the exception of the significant transfer of categorical dollars to LCFF, revenue sources increased.

### COMPARISON OF ALL GOVERNMENTAL REVENUES

**Table A-1**

	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Percent Increase (Decrease)
Local Control Funding Formula	\$ 26,861,716	\$ 32,576,068	21.27
Federal	2,394,415	2,437,450	1.80
Other State (excludes STRS)	6,534,499	4,190,137	(35.88)
Other Local	4,251,834	4,396,401	3.40
<b>Total Revenues</b>	<b>\$ 40,042,464</b>	<b>\$ 43,600,056</b>	<b>8.88 %</b>

### COMPARISON OF ALL GOVERNMENTAL EXPENDITURES

**Table A-2**

	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Percent Increase (Decrease)
<b>Governmental Activities</b>			
Instruction (excludes STRS)	\$23,911,988	\$25,732,561	7.61 %
Instruction Related Services:			
Supervision of instruction	1,126,995	1,238,622	9.90
Instructional library, media and technology	729,363	746,775	2.39
School site administration	2,615,840	2,693,623	2.97
Pupil Services:			
Home to school transportation	809,207	1,014,518	25.37
Food services	1,538,682	1,710,233	11.15
All other pupil services	1,163,668	1,454,328	24.98
General Administration:			
All other general administration	1,530,920	1,750,035	14.31
Plant Services	4,268,535	4,435,175	3.90
Ancillary Services	312,287	334,442	7.09
Community Services	768,725	791,021	2.90
Interest and principal/long term debt	1,145,966	1,080,596	(5.70)
<b>Total</b>	<b>\$39,922,176</b>	<b>\$42,981,929</b>	<b>7.66 %</b>

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

---

The District's overall expenditures increased by approximately \$3 million in fiscal year 2013-14. Most expenditures increased due to the negotiated settlement with bargaining groups. Home to School transportation purchased a bus and funded major maintenance of some buses. Pupil services increases are due to providing additional support to counseling and other general administrative costs increases are due to additional charter administrative expenditures in addition to negotiated settlements.

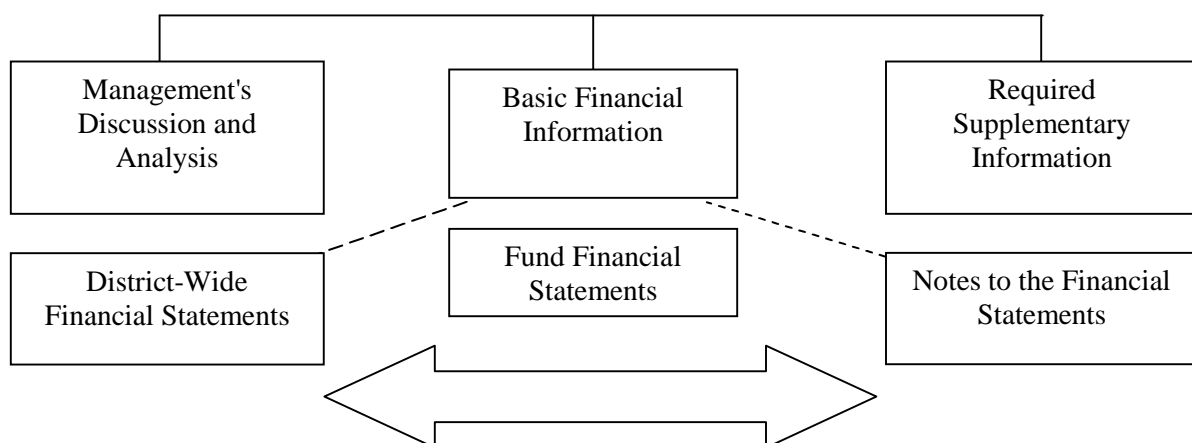
### OVERVIEW OF THE FINANCIAL STATEMENTS

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.
  - 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**



# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

---

### SUMMARY DETAIL

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.

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

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

*Figure A-2 Major Features of the District-Wide and Fund Financial Statements (Continued)*

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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.

### **District-Wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases and decreases in the District's net position 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.



# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### Fund Financial Statements

The fund financial statements focus on the 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.
- *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 position. 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.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$33,269,721 for the fiscal year ended June 30, 2014, and \$31,455,403 at June 30, 2013. Of this amount \$8,056,612 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2014	2013, As restated
<b>Assets</b>		
Current and other assets	\$ 20,728,609	\$ 20,151,046
Capital assets	30,369,880	29,382,016
<b>Total Assets</b>	<b>51,098,489</b>	<b>49,533,062</b>
<b>Liabilities</b>		
Current liabilities	2,243,542	2,658,341
Long-term obligations	15,585,226	15,419,318
<b>Total Liabilities</b>	<b>17,828,768</b>	<b>18,077,659</b>
<b>Net Position</b>		
Investment in capital assets	17,329,880	15,560,829
Restricted	7,883,229	6,264,621
Unrestricted	8,056,612	9,629,953
<b>Total Net Position</b>	<b>\$ 33,269,721</b>	<b>\$ 31,455,403</b>

The \$8,056,612 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 22. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2014	2013
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 590,602	\$ 579,122
Operating grants and contributions	5,836,095	5,303,605
General revenues:		
Federal and State aid not restricted	22,377,676	19,880,272
Property taxes	12,080,917	12,113,979
Other general revenues	4,459,306	3,581,500
<b>Total Revenues</b>	<b>45,344,596</b>	<b>41,458,478</b>
<b>Expenses</b>		
Instruction-related	31,796,826	29,584,897
Student support services	4,230,190	3,563,763
Administration	1,736,829	1,738,324
Plant services	3,463,038	4,759,327
Other	2,303,395	2,250,072
<b>Total Expenses</b>	<b>43,530,278</b>	<b>41,896,383</b>
<b>Change in Net Position</b>	<b>\$ 1,814,318</b>	<b>\$ (437,905)</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 22, the cost of all of our governmental activities this year was \$43.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$12.1 million because the cost was paid by those who benefited from the programs (\$590,602) or by other governments and organizations who subsidized certain programs with grants and contributions (\$22.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$4.5 million in State funds, and with other revenues, like interest and general entitlements.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

---

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, school administration, pupil transportation services, maintenance and operations, and other outgo services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 27,007,721	\$ 25,000,255	\$ 23,577,319	\$ 21,975,235
School administration	4,789,105	4,584,642	4,084,520	4,252,263
Pupil transportation	4,230,190	3,563,763	2,362,488	1,407,160
Administration	1,736,829	1,738,324	1,736,829	1,562,727
Maintenance and operations	3,463,038	4,759,327	3,282,919	4,686,299
Other	2,303,395	2,250,072	2,059,506	2,129,972
<b>Total</b>	<b>\$ 43,530,278</b>	<b>\$ 41,896,383</b>	<b>\$ 37,103,581</b>	<b>\$ 36,013,656</b>

### 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 position of \$18,670,905. This is a slight increase over last year. The District's governmental activities had more expenditures than revenues in 2014. This is due to one-time reserves.

Beginning in fiscal year 2010-2011 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.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

---

As the District completed this year, our governmental funds reported a combined fund balance of \$18.6 million, which is an increase of \$618,128 from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 7,915,355	\$ 35,356,719	\$ 35,774,213	\$ 7,497,861
Charter School Fund	1,629,380	5,595,154	5,375,480	1,849,054
Deferred Maintenance Fund	2,589,323	595,114	342,404	2,842,033
Capital Facilities Fund	2,855,223	639,299	22,923	3,471,599
Non-Major Governmental Funds	3,063,496	3,156,441	3,209,579	3,010,358
<b>Total</b>	<b>\$ 18,052,777</b>	<b>\$ 45,342,727</b>	<b>\$ 44,724,599</b>	<b>\$ 18,670,905</b>

### 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 LCFF 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.

### Education of Protection Act

The Education Protection Act (EPA) was created as a result of Proposition 30 which was passed by the electorate in November 2012. Revenues from taxes are deposited into the EPA account and the funds are released to K-14 school agencies. EPA funds did not provide additional funds to districts but instead are an offset from what otherwise would have been provided by the state of California. Proposition 30 did, however, help remove the threat of continued cuts to schools which was a welcome relief. The funds come with requirements that must be met. Each year local school agencies are required to discuss the plan to spend EPA funds in a public meeting of the governing board, and the funds cannot be used for administrative costs. At the end of each fiscal year each local school agency is required to post on its website a report of the amount of EPA funds received for the year along with an accounting of how the funds were spent.

# ORCUTT UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had \$30.4 million in a broad range of capital assets (net of depreciation), including land, buildings and improvements, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of just under \$987,864, or -3 percent, from last year (Table 5).

	Governmental Activities	
	2014	2013
Land and construction in progress	\$ 2,264,580	\$ 2,111,574
Buildings and improvements	26,838,929	26,400,216
Equipment	1,266,371	870,226
<b>Total</b>	<b>\$ 30,369,880</b>	<b>\$ 29,382,016</b>

#### Long-Term Obligations

At the end of this year, the District had \$13.0 million in bonds outstanding versus \$13.6 million last year, a decrease of four percent. Those bonds consisted of:

	Governmental Activities	
	2014	2013
General obligation bonds (financed with property taxes)	\$ 13,040,000	\$ 13,615,000
Compensated absence payable	190,390	211,460
OPEB payable	2,354,836	1,961,671
<b>Total</b>	<b>\$ 15,585,226</b>	<b>\$ 15,788,131</b>

### FACTORS BEARING ON THE DISTRICT'S FUTURE

In November 2012 Proposition 30 was approved by the electorate. This measure:

- Increased personal income tax on annual earnings over \$250,000 for seven years.
- Increased sales and use tax by ¼ cent for four years.
- Allocated temporary tax revenues for K-14 and other state funding uses.
- Raises approximately \$6 billion in revenues for most years, with smaller amounts in 2012-13 and in the last years of the tax increase.

# **ORCUTT UNION SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014**

---

For education in the State, this provided a relief from ongoing cuts and a means to at least maintain the same level of expenditures as in the previous year. It also allowed the state to buy down deferrals from previous years. As Proposition 30 is eliminated, the District will most likely experience diminished or flat funding in the future.

This is the first year of the Local Control Funding Formula (LCFF) which is a drastic change from the State revenue limit and categorical funding formula that has been in place for at least 40 years. The LCFF was designed to close the achievement gap and provides for a different distribution of dollars, not new funding. It only guarantees that the District will receive what would have been received in 2007-08 had we been fully funded. The new State formula funds base grants, plus supplemental and concentration grants based on the percentage of economically disadvantaged students, foster youth and English Learners. The formula will be phased in over an eight year period with the hope that the state economy will recover over this time to back fill tax increases that will expire. It remains questionable as to the reasonableness of the state actually being able to fund LCFF over a period of eight years. In reality, there are many competing agencies such as health and social services, higher education, and prisons that also compete for the same dollars. All agencies have suffered with severe budget cuts over the period of the "Great Recession" and are anxious to see some relief. Funding LCFF relies on a very robust economic recovery.

Under LCFF, the District receives only modest increases in comparison to neighboring districts in the Santa Maria Valley due to its demographic profile. This will make it increasingly more difficult to attract and retain high quality staff. The total impact on the finances of the District will continue to be extremely challenging as California continues to rank close to last in the nation in funding schools on a per student basis while still requiring high standards. Projected STRS and PERS increases over the next seven years at minimum without salary increases or additional staffing will be approximately \$2.5 million dollars. Adequacy of funding will be one of the most important issues for the District into the future.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ms. Marysia Ochej, Assistant Superintendent of Business Services, at Orcutt Union School District, 500 Dyer Street, Orcutt, California, 93455, or e-mail at mochej@orcutt-schools.net.

# ORCUTT UNION SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2014

---

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Deposits and investments	\$ 16,306,139
Receivables	4,333,634
Internal balances (Due from other funds)	23,342
Prepaid expenditures	33,942
Stores inventories	31,552
Capital assets	
Land and construction in process	2,264,580
Other capital assets	46,332,909
Capital assets, net of accumulated depreciation	<u>(18,227,609)</u>
Total Capital Assets	<u>30,369,880</u>
<b>Total Assets</b>	<u>51,098,489</u>
<b>LIABILITIES</b>	
Accounts payable	2,009,540
Interest payable	202,635
Internal balances (Due to other funds)	23,342
Unearned revenue	8,025
Current portion of long-term obligations	590,000
Noncurrent portion of long-term obligations	<u>14,995,226</u>
Total long-term obligations	<u>15,585,226</u>
<b>Total Liabilities</b>	<u>17,828,768</u>
<b>NET POSITION</b>	
Net investment in capital assets	17,329,880
Restricted for:	
Debt service	1,149,920
Capital projects	3,471,599
Educational programs	1,964,376
Other activities	1,297,334
Unrestricted	<u>8,056,612</u>
<b>Total Net Position</b>	<u>\$ 33,269,721</u>

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



**ORCUTT UNION SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 27,007,721	\$ -	\$ 3,430,402	\$ (23,577,319)
Instruction-related activities:				
Supervision of instruction	1,266,143	-	645,131	(621,012)
Instructional library, media, and technology	746,775	-	10,972	(735,803)
School site administration	2,776,187	-	48,482	(2,727,705)
Pupil services:				
Home-to-school transportation	1,038,108	-	83,041	(955,067)
Food services	1,710,233	521,634	987,242	(201,357)
All other pupil services	1,481,849	-	275,785	(1,206,064)
Administration:				
All other administration	1,736,829	-	-	(1,736,829)
Plant services	3,463,038	18,984	161,135	(3,282,919)
Ancillary services	334,442	44,956	105,009	(184,477)
Community services	791,020	-	78,248	(712,772)
Interest on long-term obligations	502,044	-	93	(501,951)
Other outgo	675,889	5,028	10,555	(660,306)
<b>Total Governmental Activities</b>	<b>\$ 43,530,278</b>	<b>\$ 590,602</b>	<b>\$ 5,836,095</b>	<b>(37,103,581)</b>
General revenues and subventions:				
Property taxes, levied for general purposes				11,031,054
Property taxes, levied for debt service				1,049,863
Federal and State aid not restricted to specific purposes				22,377,676
Interest and investment earnings				63,161
Miscellaneous				4,396,145
<b>Subtotal, General Revenues</b>				<b>38,917,899</b>
<b>Change in Net Position</b>				<b>1,814,318</b>
Net Position - Beginning				32,581,489
Restatement				(1,126,086)
Net Position - Beginning (As Restated)				31,455,403
Net Position - Ending				<b>\$ 33,269,721</b>

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

**ORCUTT UNION SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Deferred Maintenance Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 5,115,276	\$ 1,700,289	\$ 2,243,933
Receivables	3,608,214	529,342	2,291
Due from other funds	755,113	206,231	637,312
Prepaid expenditures	27,960	5,982	-
Stores inventories	13,927	-	-
<b>Total Assets</b>	<u>\$ 9,520,490</u>	<u>\$ 2,441,844</u>	<u>\$ 2,883,536</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,130,197	\$ 39,248	\$ 41,503
Due to other funds	884,407	553,542	-
Unearned revenue	8,025	-	-
<b>Total Liabilities</b>	<u>2,022,629</u>	<u>592,790</u>	<u>41,503</u>
<b>Fund Balances:</b>			
Nonspendable	57,387	5,982	-
Restricted	1,686,185	278,191	-
Committed	2,004,594	-	2,842,033
Assigned	2,702,137	1,564,881	-
Unassigned	1,047,558	-	-
<b>Total Fund Balances</b>	<u>7,497,861</u>	<u>1,849,054</u>	<u>2,842,033</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,520,490</u>	<u>\$ 2,441,844</u>	<u>\$ 2,883,536</u>

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

---

<b>Capital Facilities Fund</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,483,979	\$ 2,967,395	\$ 15,510,872
3,474	189,551	4,332,872
-	60,157	1,658,813
-	-	33,942
-	17,625	31,552
<u>\$ 3,487,453</u>	<u>\$ 3,234,728</u>	<u>\$ 21,568,051</u>
\$ 1,000	\$ 18,360	\$ 1,230,308
14,854	206,010	1,658,813
-	-	8,025
<u>15,854</u>	<u>224,370</u>	<u>2,897,146</u>
-	17,625	80,994
-	1,297,334	3,261,710
3,471,599	1,149,920	9,468,146
-	496,449	4,763,467
-	49,030	1,096,588
<u>3,471,599</u>	<u>3,010,358</u>	<u>18,670,905</u>
<u>\$ 3,487,453</u>	<u>\$ 3,234,728</u>	<u>\$ 21,568,051</u>

**ORCUTT UNION SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

---

<b>Total Fund Balance - Governmental Funds</b>		<b>\$18,670,905</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 48,597,489	
Accumulated depreciation is	<u>(18,227,609)</u>	
Net Capital Assets		30,369,880
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(202,635)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		16,797
Long-term obligations at year-end consist of:		
General obligation bonds payable	13,040,000	
Compensated absences (vacations)	190,390	
OPEB payable	<u>2,354,836</u>	
Total Long-Term Obligations		<u>(15,585,226)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$33,269,721</u></b>

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

# ORCUTT UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Charter School Fund	Deferred Maintenance Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ 27,657,245	\$ 4,918,823	\$ -
Federal sources	1,223,750	2,925	-
Other State sources	4,674,340	344,998	-
Other local sources	1,771,377	328,408	8,436
<b>Total Revenues</b>	<b>35,326,712</b>	<b>5,595,154</b>	<b>8,436</b>
<b>EXPENDITURES</b>			
Current			
Instruction	23,801,398	2,856,440	-
Instruction-related activities:			
Supervision of instruction	1,071,551	162,584	-
Instructional library, media and technology	667,674	79,101	-
School site administration	2,270,167	421,768	-
Pupil services:			
Home-to-school transportation	987,518	27,000	-
Food services	-	-	-
All other pupil services	1,233,086	221,242	-
Administration:			
All other administration	725,037	963,135	-
Plant services	3,314,849	360,921	19,482
Facility acquisition and construction	214,905	-	322,922
Ancillary services	74,495	259,947	-
Community services	790,993	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>35,151,673</b>	<b>5,352,138</b>	<b>342,404</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>175,039</b>	<b>243,016</b>	<b>(333,968)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	30,007	-	586,678
Transfers out	(622,540)	(23,342)	-
<b>Net Financing Sources (Uses)</b>	<b>(592,533)</b>	<b>(23,342)</b>	<b>586,678</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(417,494)</b>	<b>219,674</b>	<b>252,710</b>
<b>Fund Balance - Beginning</b>	<b>7,915,355</b>	<b>1,629,380</b>	<b>2,589,323</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,497,861</b>	<b>\$ 1,849,054</b>	<b>\$ 2,842,033</b>

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

<b>Capital Facilities Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 32,576,068
-	1,210,775	2,437,450
-	237,581	5,256,919
639,299	1,648,881	4,396,401
<u>639,299</u>	<u>3,097,237</u>	<u>44,666,838</u>
-	141,505	26,799,343
-	4,487	1,238,622
-	-	746,775
-	1,688	2,693,623
-	-	1,014,518
-	1,710,233	1,710,233
-	-	1,454,328
-	61,863	1,750,035
-	136,833	3,832,085
8,069	57,194	603,090
-	-	334,442
-	27	791,020
-	575,000	575,000
-	505,596	505,596
<u>8,069</u>	<u>3,194,426</u>	<u>44,048,710</u>
<u>631,230</u>	<u>(97,189)</u>	<u>618,128</u>
-	59,204	675,889
<u>(14,854)</u>	<u>(15,153)</u>	<u>(675,889)</u>
<u>(14,854)</u>	<u>44,051</u>	<u>-</u>
616,376	(53,138)	618,128
2,855,223	3,063,496	18,052,777
<u>\$ 3,471,599</u>	<u>\$ 3,010,358</u>	<u>\$ 18,670,905</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 YEAR ENDED JUNE 30, 2014**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 618,128**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Capital Outlay	\$ 1,078,261	
Depreciation expense	<u>(90,397)</u>	
Net Expense Adjustment		987,864

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Vacation used was more than the amounts earned by \$21,070. 21,070

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 employers contributions was:

(393,165)

Repayment of debt is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	575,000
--------------------------	---------

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,552

An internal service fund is used by the District's management to charge the costs of the service insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

1,869

<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$1,814,318</u></u></b>
--	----------------------------------

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

**ORCUTT UNION SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 795,267
Receivables	762
<b>Total Current Assets</b>	<u><u>\$ 796,029</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	<u><u>\$ 779,232</u></u>
<b>Net Position</b>	
Restricted	<u><u>\$ 16,797</u></u>

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



**ORCUTT UNION SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

---

	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 5,496,817
<b>Total Operating Revenues</b>	<u>5,496,817</u>
 <b>OPERATING EXPENSES</b>	
Other operating cost	5,496,817
<b>Total Operating Expenses</b>	<u>5,496,817</u>
 <b>NONOPERATING REVENUES</b>	
Interest income	\$ 1,869
<b>Total Nonoperating         Revenues (Expenses)</b>	<u>1,869</u>
 <b>Change in Net Position</b>	1,869
<b>Total Net Position - Beginning</b>	<u>14,928</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 16,797</u></u>

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

**ORCUTT UNION SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash paid for employee benefits	\$ 5,030,703
Cash payments to other suppliers of goods or services	<u>(5,497,010)</u>
Net Cash Used in Operating Activities	<u>(466,307)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,869</u>
Net Cash Provided by Investing Activities	<u>1,869</u>
 Net Decrease in Cash and Cash Equivalents	(464,438)
Cash and Cash Equivalents - Beginning	<u>1,259,705</u>
Cash and Cash Equivalents - Ending	<u>\$ 795,267</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Changes in assets and liabilities:	
Receivables	(194)
Accrued liabilities	<u>(466,113)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (466,307)</u>

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

**ORCUTT UNION SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ <u>45,155</u>
<b>LIABILITIES</b>	
Due to student groups	\$ <u>45,155</u>

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

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **Financial Reporting Entity**

The Orcutt Union School District (the District) was established in 1884 under the laws of the State of California. The District operates under a locally elected five member Board form of government and provides educational services to grades K -12 as mandated by the State and/or Federal agencies. The District operates eight elementary schools, grade kindergarten through eight, and one charter school, grade kindergarten to twelve.

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

#### **Other Related Entities**

**Charter School** The District has an approved Charter for Orcutt Academy Charter Schools 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 special revenue fund.

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

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

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

#### **Major Governmental Funds**

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

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

As a result, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures of \$2,004,594, \$1,786,872, \$6,620, and \$0, respectively.

**Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

### Non-Major Governmental Funds

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

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

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

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

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

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

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

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

**Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance fund that is used to provide medical benefits to its employees.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

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

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

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

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

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

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

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

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

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

**Unearned Revenue** Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Prepaid Expenditures**

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

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.



# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### Capital Assets and Depreciation

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

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

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

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

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

### Compensated Absences

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

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

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### Accrued Liabilities and Long-Term Obligations

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

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

### Debt Issuance Costs, Premiums, and Discounts

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

### Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

**Unassigned** - all other spendable amounts.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### **Spending Order Policy**

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

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

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$7,883,229 of restricted net position.

### **Operating Revenues and Expenses**

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

### **Interfund Activity**

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

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

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### Estimates

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

### Budgetary Data

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

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

### Property Tax

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

### Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$1,126,086. The decrease results from no longer deferring and amortizing bond issuance costs.

### **New Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

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

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

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

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

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

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

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

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

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

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

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

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

#### **Summary of Deposits and Investments**

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 16,306,139
Fiduciary funds	<u>45,155</u>
Total Deposits and Investments	<u>\$ 16,351,294</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 46,257
Cash in revolving	15,500
Investments	<u>16,289,537</u>
Total Deposits and Investments	<u>\$ 16,351,294</u>

#### **Policies and Practices**

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

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

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

### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.



# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### Specific Identification

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

Investment Type	Fair Value	Weighted Average Maturity in Years
Santa Barbara County Investment Pool	\$ 16,281,392	587

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance of \$62,487 was not exposed to custodial credit risk.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Deferred Maintenance Fund	Capital Facilities Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Federal Government							
Categorical aid	\$ 122,442	\$ -	\$ -	\$ -	\$ 175,806	\$ -	\$ 298,248
State Government							
State principal apportionment	2,254,371	502,481	-	-	-	-	2,756,852
Categorical aid	998,953	-	-	-	10,391	-	1,009,344
Lottery	139,294	22,271	2,291	3,474	-	-	167,330
Local Government							
Interest	6,128	4,590	-	-	3,354	762	14,834
Other Local Sources	87,026	-	-	-	-	-	87,026
Total	<u>\$ 3,608,214</u>	<u>\$ 529,342</u>	<u>\$ 2,291</u>	<u>\$ 3,474</u>	<u>\$ 189,551</u>	<u>\$ 762</u>	<u>\$ 4,333,634</u>

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,878,255	\$ -	\$ -	\$ 1,878,255
Construction in Progress	<u>233,319</u>	<u>153,006</u>	<u>-</u>	<u>386,325</u>
Total Capital Assets Not Being Depreciated	<u>2,111,574</u>	<u>153,006</u>	<u>-</u>	<u>2,264,580</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	41,429,440	461,070	-	41,890,510
Furniture and Equipment	<u>4,065,210</u>	<u>464,185</u>	<u>86,996</u>	<u>4,442,399</u>
Total Capital Assets Being Depreciated	<u>45,494,650</u>	<u>925,255</u>	<u>86,996</u>	<u>46,332,909</u>
Total Capital Assets	<u>47,606,224</u>	<u>1,078,261</u>	<u>86,996</u>	<u>48,597,489</u>
Less Accumulated Depreciation:				
Buildings and Improvements	15,029,224	22,357	-	15,051,581
Furniture and Equipment	<u>3,194,984</u>	<u>68,040</u>	<u>86,996</u>	<u>3,176,028</u>
Total Accumulated Depreciation	<u>18,224,208</u>	<u>90,397</u>	<u>86,996</u>	<u>18,227,609</u>
Governmental Activities Capital Assets, Net	<u>\$ 29,382,016</u>	<u>\$ 987,864</u>	<u>\$ -</u>	<u>\$ 30,369,880</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Plant maintenance	<u>\$ 90,397</u>

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From				Total
	General Fund	Charter Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 553,542	\$ 14,854	\$ 186,717	\$ 755,113
Charter Fund	186,938	-	-	19,293	206,231
Deferred Maintenance Fund	637,312	-	-	-	637,312
Non-Major Governmental Funds	60,157	-	-	-	60,157
Total	<u>\$ 884,407</u>	<u>\$ 553,542</u>	<u>\$ 14,854</u>	<u>\$ 206,010</u>	<u>\$ 1,658,813</u>

A balance of \$186,938 is due to the Charter School Fund from the General Fund for a charter in lieu of tax transfer.

A balance of \$637,312 is due to the Deferred Maintenance Fund from the General Fund for reclassification of salaries.

A balance of \$530,200 is due to the General Fund from the Charter School Fund for a reclassification of expenses.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Charter School Fund	Capital Facilities Funds	Non-Major Governmental Fund	
General Fund	\$ -	\$ -	\$ 14,854	\$ 15,153	\$ 30,007
Deferred Maintenance Fund	586,678	-	-	-	586,678
Non-Major Funds	35,862	23,342	-	-	59,204
Total	<u>\$ 622,540</u>	<u>\$ 23,342</u>	<u>\$ 14,854</u>	<u>\$ 15,153</u>	<u>\$ 675,889</u>

The General Fund transferred to the Deferred Maintenance Fund for 2013-2014 deferred maintenance contribution.	\$ 586,678
The General Fund transferred to the Non-Major Funds for capital outlay projects.	59,204
The Capital Facilities Fund transferred to the General Fund for developer fees.	14,854
The Non-Major Cafeteria Fund transferred to the General Fund for 2013-2014 ASES/snacks.	15,153
Total	<u>\$ 675,889</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Charter Schools Fund	Deferred Maintenance Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total
Vendor payables	\$ 1,060,648	\$ 23,972	\$ -	\$ -	\$ 6,590	\$ 779,232	\$ 1,870,442
Salaries and benefits	48,432	12,559	7,972	-	361	-	69,324
Construction	11,773	-	33,531	1,000	11,240	-	57,544
Other	9,344	2,717	-	-	169	-	12,230
Total	<u>\$ 1,130,197</u>	<u>\$ 39,248</u>	<u>\$ 41,503</u>	<u>\$ 1,000</u>	<u>\$ 18,360</u>	<u>\$ 779,232</u>	<u>\$ 2,009,540</u>

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund
Federal financial assistance	\$ 7,341
State categorical aid	684
Total	<u>\$ 8,025</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 13,615,000	\$ -	\$ 575,000	\$ 13,040,000	\$ 590,000
Accumulated vacation, net	211,460	-	21,070	190,390	-
Other postemployment benefits	1,961,671	665,758	272,593	2,354,836	-
	<u>\$ 15,788,131</u>	<u>\$ 665,758</u>	<u>\$ 868,663</u>	<u>\$ 15,585,226</u>	<u>\$ 590,000</u>

**Debt Service Requirements to Maturity**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2013	Issued	Redeemed	Outstanding June 30, 2014
2005	2030	2.5%-4.5%	\$9,710,000	\$ 8,155,000	\$ -	\$ 325,000	\$ 7,830,000
2012	2031	2.0%-4.0%	4,150,000	3,950,000	-	175,000	3,775,000
2012	2028	2.0%-3.5%	1,525,000	1,510,000	-	75,000	1,435,000
				<u>\$13,615,000</u>	<u>\$ -</u>	<u>\$ 575,000</u>	<u>\$13,040,000</u>

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**2005 Refunding General Obligations Bond**

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 335,000	\$ 332,385	\$ 667,385
2016	350,000	320,158	670,158
2017	365,000	307,032	672,032
2018	385,000	292,433	677,433
2019	400,000	277,032	677,032
2020-2024	2,235,000	1,130,600	3,365,600
2025-2029	2,795,000	603,962	3,398,962
2029-2030	965,000	58,275	1,023,275
Total	<u>\$ 7,830,000</u>	<u>\$ 3,321,877</u>	<u>\$ 11,151,877</u>

**2012 General Obligations Bond Series A**

The bonds mature through 2031 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 180,000	\$ 117,487	\$ 297,487
2016	180,000	112,088	292,088
2017	190,000	106,687	296,687
2018	195,000	100,988	295,988
2019	200,000	97,575	297,575
2020-2024	1,060,000	416,119	1,476,119
2025-2029	1,220,000	246,063	1,466,063
2029-2031	550,000	33,200	583,200
Total	<u>\$ 3,775,000</u>	<u>\$ 1,230,207</u>	<u>\$ 5,005,207</u>

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**2012 General Obligations Bond Series B**

The bonds mature through 2029 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 75,000	\$ 40,119	\$ 115,119
2016	80,000	37,794	117,794
2017	85,000	35,319	120,319
2018	85,000	32,768	117,768
2019	85,000	30,750	115,750
2020-2024	490,000	122,244	612,244
2025-2029	535,000	47,066	582,066
Total	<u>\$ 1,435,000</u>	<u>\$ 346,060</u>	<u>\$ 1,781,060</u>

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$190,390.

**Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2014, was \$663,637, and contributions made by the District during the year were \$272,593. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$98,084 and \$(95,963), respectively, which resulted in an increase to the net OPEB obligation of \$393,165. As of June 30, 2014, the net OPEB obligation was \$2,354,836. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**NOTE 9 - FUND BALANCES**

Fund balances composed of the following elements:

	General Fund	Charter School Fund	Deferred Maintenance Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>						
Revolving cash	\$ 15,500	\$ -	\$ -	\$ -	\$ -	\$ 15,500
Stores inventories	13,927			-	17,625	31,552
Prepaid expenditures	27,960	5,982		-	-	33,942
Total Nonspendable	<u>57,387</u>	<u>5,982</u>	<u>-</u>	<u>-</u>	<u>17,625</u>	<u>80,994</u>
<b>Restricted</b>						
Legally restricted programs	<u>1,686,185</u>	<u>278,191</u>	<u>-</u>	<u>-</u>	<u>1,297,334</u>	<u>3,261,710</u>
<b>Committed</b>						
Deferred maintenance program	-	-	2,842,033	-	-	2,842,033
Other committed	<u>2,004,594</u>	<u>-</u>	<u>-</u>	<u>3,471,599</u>	<u>1,149,920</u>	<u>6,626,113</u>
Total Committed	<u>2,004,594</u>	<u>-</u>	<u>2,842,033</u>	<u>3,471,599</u>	<u>1,149,920</u>	<u>9,468,146</u>
<b>Assigned</b>						
Other assignments	<u>2,702,137</u>	<u>1,564,881</u>	<u>-</u>	<u>-</u>	<u>496,449</u>	<u>4,763,467</u>
<b>Unassigned</b>						
Reserve for economic uncertainties	<u>1,047,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,030</u>	<u>1,096,588</u>
Total	<u>\$ 7,497,861</u>	<u>\$ 1,849,054</u>	<u>\$ 2,842,033</u>	<u>\$ 3,471,599</u>	<u>\$ 3,010,358</u>	<u>\$ 18,670,905</u>

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**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 five years, but not beyond age 65.



# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

### Funding Policy

The District pays 100 percent of the health benefits for retirees and 80 percent 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 percent of two-party or family coverage for classified retirees and 100 percent for management/confidential retirees hired prior to July 1, 2005. During fiscal year 2013-2014, expenditures of \$272,593 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

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan (including administrative costs), and changes in the District's net OPEB obligation:

Annual required contribution	\$ 663,637
Interest on net OPEB obligation	98,084
Adjustment to annual required contribution	<u>(95,963)</u>
Annual OPEB cost (expense)	665,758
Contributions made	<u>(272,593)</u>
Increase in net OPEB obligation	393,165
Net OPEB obligation, beginning of year	<u>1,961,671</u>
Net OPEB obligation, end of year	<u>\$ 2,354,836</u>

### Trend Information

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	733,515	257,942	35%	1,560,083
2013	665,322	263,734	40%	1,961,671
2014	665,758	272,593	41%	2,354,836

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 11, 2013	\$ -	\$ 5,717,998	\$5,717,998	\$ -	\$ 26,548,212	22%

**Actuarial Methods and Assumptions**

In the January 1, 2013, 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 4.0 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 \$1,786,871. However, because the assets are not in an irrevocable trust, the \$1,786,871 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 11 - RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District contracted with SISCII for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2014, the District participated in the SIPE, an insurance purchasing pool. The intent of the SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the name of SIPE. Each participant pays its workers' compensation premium based on its individual rate.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

### **Employee Medical Benefits**

The District has contracted with the SISCIH to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

### ***NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS***

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

#### **CalSTRS**

##### **Plan Description**

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

##### **Funding Policy**

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,589,449, \$1,508,672, and \$1,477,699, respectively, and equal 100 percent of the required contributions for each year.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### CalPERS

#### Plan Description

The District contributes to the School Employer Pool under the 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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$562,112, \$514,263, and \$475,850, respectively, and equal 100 percent of the required contributions for each year.

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$7,066,782 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

### **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

# ORCUTT UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### Litigation

The District is not currently a party to any legal proceedings.

### Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
MUR Room Improvement at Olga Reed	\$ 375,320	11/15/14
Re-roof Improvement RD	88,796	09/10/15
Re-roof Improvement IMC	56,323	09/10/15
Kitchen upgrade at OAHS	95,458	09/10/15
Hard Court Improvements OAHS	152,136	09/10/15
	\$ 768,033	

### NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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 (SIPE)

SIPE 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 (SISC II)

SISC 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.

**ORCUTT UNION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Self-Insured School of California III (SISC III)**

SIPE 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 14 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

**Statement of Net Position**

Net Position - Beginning	\$ 31,455,403
Restatement/cost of issuance	<u>1,126,086</u>
Net Position - Beginning as Restated	<u>\$ 32,581,489</u>

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

# ORCUTT UNION SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	<b>REVENUES</b>			
Local Control Funding Formula	\$ 23,411,647	\$ 27,607,076	\$ 27,657,245	\$ 50,169
Federal sources	1,315,323	1,316,816	1,223,750	(93,066)
Other State sources	5,790,723	3,532,449	4,674,340	1,141,891
Other local sources	1,041,802	1,429,756	1,771,377	341,621
<b>Total Revenues</b> <sup>1</sup>	<b>31,559,495</b>	<b>33,886,097</b>	<b>35,326,712</b>	<b>1,440,615</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	16,349,597	18,197,056	17,406,819	790,237
Classified salaries	5,139,199	5,479,313	5,479,193	120
Employee benefits	6,248,210	6,639,349	7,479,072	(839,723)
Books and supplies	1,268,916	2,414,868	1,298,441	1,116,427
Services and operating expenditures	2,251,986	2,810,860	2,626,651	184,209
Capital outlay	187,500	929,500	923,360	6,140
Other outgo	495,484	783,220	(61,863)	845,083
<b>Total Expenditures</b> <sup>1</sup>	<b>31,940,892</b>	<b>37,254,166</b>	<b>35,151,673</b>	<b>2,102,493</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(381,397)</b>	<b>(3,368,069)</b>	<b>175,039</b>	<b>3,543,108</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	30,007	30,007
Transfers out	-	-	(622,540)	(622,540)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(592,533)</b>	<b>(592,533)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(381,397)</b>	<b>(3,368,069)</b>	<b>(417,494)</b>	<b>2,950,575</b>
<b>Fund Balance - Beginning</b>	<b>7,915,355</b>	<b>7,915,355</b>	<b>7,915,355</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,533,958</b>	<b>\$ 4,547,286</b>	<b>\$ 7,497,861</b>	<b>\$ 2,950,575</b>

<sup>1</sup> On behalf payments of \$1,066,782 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.



**ORCUTT UNION SCHOOL DISTRICT**

**CHARTER SCHOOL SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 4,176,354	\$ 4,704,638	\$ 4,918,823	\$ 214,185
Federal sources	-	-	2,925	2,925
Other State sources	519,348	188,083	344,998	156,915
Other local sources	10,300	205,349	328,409	123,060
<b>Total Revenues</b>	<u>4,706,002</u>	<u>5,098,070</u>	<u>5,595,155</u>	<u>497,085</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	2,120,190	2,365,560	2,351,254	(14,306)
Classified salaries	399,201	453,350	430,704	(22,646)
Employee benefits	727,197	766,616	758,838	(7,778)
Books and supplies	134,962	321,285	294,458	(26,827)
Services and operating expenditures	1,156,031	1,493,673	1,493,018	(655)
Other outgo	10,000	53,000	23,342	(29,658)
Capital outlay	22,401	26,965	525	(26,440)
<b>Total Expenditures</b>	<u>4,569,982</u>	<u>5,480,449</u>	<u>5,352,139</u>	<u>(128,310)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>136,020</u>	<u>(382,379)</u>	<u>243,016</u>	<u>625,395</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(23,342)	(23,342)
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(23,342)</u>	<u>(23,342)</u>
<b>NET CHANGE IN FUND BALANCE</b>	136,020	(382,379)	219,674	602,053
<b>Fund Balance - Beginning</b>	<u>1,629,380</u>	<u>1,629,380</u>	<u>1,629,380</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,765,400</u>	<u>\$ 1,247,001</u>	<u>\$ 1,849,054</u>	<u>\$ 602,053</u>

**ORCUTT UNION SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
December 1, 2008	\$ -	\$ 5,051,407	\$ 5,051,407	\$ -	\$ 21,805,809	23%
December 1, 2010	-	5,585,842	5,585,842	-	22,530,265	25%
January 1, 2013	-	5,717,998	5,717,998	-	26,548,212	22%

---

---

***SUPPLEMENTARY INFORMATION***

---

---

**ORCUTT UNION SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title II Part A, Improving Teacher Quality	84.367	14341	\$ 92,677
Title III Limited English Proficiency	84.365	14346	37,582
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14981	290,466
Title I Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	2,925
Special Education - IDEA Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	652,287
Preschool Staff Development	84.173	13430	33,944
Preschool Local Entitlement	84.027A	13682	<u>80,020</u>
Total Special Education IDEA Cluster			<u>766,251</u>
Total U.S. Department of Education			<u>1,189,901</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	184,742
National School Lunch	10.555	13391	875,082
Meals Supplements - Snack	10.555	13396	15,153
Food Distribution	10.555	13391	<u>134,971</u>
Total Child Nutrition Cluster			<u>1,209,948</u>
Peanut Corporation of America Recall	[1]	03798	<u>827</u>
Total U.S. Department of Agriculture			<u>1,210,775</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	<u>5,116</u>
Total U.S. Department of Health and Human			<u>5,116</u>
Total Expenditures of Federal Awards			<u>\$ 2,405,792</u>

[1] Catalog number not available

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

# ORCUTT UNION SCHOOL DISTRICT

## ***LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE*** **JUNE 30, 2014**

---

### **ORGANIZATION**

The Orcutt Union School District was established in 1884 and consists of an area comprising approximately 69.69 square miles. The District operates eight elementary schools, with grades kindergarten through eight, and one charter school, grades kindergarten through twelve.

### **GOVERNING BOARD**

MEMBER	OFFICE	TERM EXPIRES
Dr. James Peterson	President	2014
Mr. Robert Hatch	Clerk	2014
Mr. Rob Buchanan	Member	2014
Mrs. Liz Phillips	Member	2016
Ms. Jan Zilli	Member	2016

### **ADMINISTRATION**

NAME	TITLE
<sup>1</sup> Mr. Robert Bush	Superintendent
Ms. Marysia Ochej	Assistant Superintendent, Business Services
Mr. Don Nicholson	Assistant Superintendent, Human Resources
Ms. Holly Edds, Ed.D	Assistant Superintendent, Educational Services

<sup>1</sup> Retired June 30, 2014

See accompanying note to supplementary information.

**ORCUTT UNION SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Report	
	Second Period Report	Annual Report
<b>Orcutt Union School District</b>		
Regular ADA		
Transitional kindergarten through third	1,819	1,818
Fourth through sixth	1,403	1,402
Seventh and eighth	1,012	1,010
Total Regular ADA	<u>4,234</u>	<u>4,230</u>
Extended Year Special Education		
Transitional kindergarten through third	2	2
Fourth through sixth	2	1
Total Extended Year Special Education	<u>4</u>	<u>3</u>
Total ADA	<u>4,238</u>	<u>4,233</u>
<b>Orcutt Academy Charter High School</b>		
Regular ADA		
Transitional kindergarten through third	71	72
Fourth through sixth	53	53
Seventh and eighth	32	32
Ninth through twelfth	557	567
Total Regular ADA	<u>713</u>	<u>724</u>
Classroom based ADA		
Transitional kindergarten through third	34	34
Fourth through sixth	26	26
Seventh and eighth	17	17
Ninth through twelfth	566	566
Total Classroom Based ADA	<u>643</u>	<u>643</u>

Orcutt Academy Charter High School operated a non-classroom based instruction program.

See accompanying note to supplementary information.

# ORCUTT UNION SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

### Orcutt Union School District

Grade Level	1986-87	Reduced	2013-14 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,650	180	N/A	Complied
Grade 2			50,650	180	N/A	Complied
Grade 3			50,650	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,530	180	N/A	Complied
Grade 5			54,530	180	N/A	Complied
Grade 6			54,530	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			54,530	180	N/A	Complied
Grade 8			54,530	180	N/A	Complied

### Orcutt Academy Charter High School

Grade Level	1986-87	Reduced	2013-14 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	34,971	55,150	180	N/A	Complied
Grades 1 - 3	50,400	48,960				
Grade 1			55,150	180	N/A	Complied
Grade 2			55,150	180	N/A	Complied
Grade 3			55,150	180	N/A	Complied
Grades 4 - 6	54,000	52,457				
Grade 4			55,150	180	N/A	Complied
Grade 5			55,150	180	N/A	Complied
Grade 6			58,240	180	N/A	Complied
Grades 7 - 8	54,000	52,547				
Grade 7			58,240	180	N/A	Complied
Grade 8			58,240	180	N/A	Complied
Grades 9 - 12	64,800	62,949				
Grade 9			65,060	180	N/A	Complied
Grade 10			65,060	180	N/A	Complied
Grade 11			65,060	180	N/A	Complied
Grade 12			65,060	180	N/A	Complied

See accompanying note to supplementary information.

**ORCUTT UNION SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

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

	<u>Cafeteria Fund</u>
FUND BALANCE	
Balance, June 30, 2014, Unaudited Actuals	\$ 1,314,958
Increase in:	
Accounts receivable	<u>49,031</u>
Balance, June 30, 2014, Audited Financial Statements	<u><u>\$ 1,363,989</u></u>

See accompanying note to supplementary information.



# ORCUTT UNION SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget)			
	2015 <sup>1</sup>	2014	2013	2012
GENERAL FUND <sup>4</sup>				
Revenues	\$ 35,423,842	\$ 35,326,712	\$ 31,611,918	\$ 32,194,499
Other sources	18,000	30,007	120,337	-
Total Revenues and Other Sources	<u>35,441,842</u>	<u>35,356,719</u>	<u>31,732,255</u>	<u>32,194,499</u>
Expenditures	34,004,965	35,151,673	31,563,526	31,964,301
Other uses and transfers out	850,172	622,540	418,574	556,646
Total Expenditures and Other Uses	<u>34,855,137</u>	<u>35,774,213</u>	<u>31,982,100</u>	<u>32,520,947</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 586,705</u>	<u>\$ (417,494)</u>	<u>\$ (249,845)</u>	<u>\$ (326,448)</u>
ENDING FUND BALANCE	<u>\$ 6,090,649</u>	<u>\$ 5,503,944</u>	<u>\$ 5,921,438</u>	<u>\$ 6,171,283</u>
AVAILABLE RESERVES <sup>2</sup>	<u>\$ 1,045,655</u>	<u>\$ 1,047,556</u>	<u>\$ 963,573</u>	<u>\$ 975,628</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	<u>3.00%</u>	<u>3.02%</u>	<u>3.09%</u>	<u>3.00%</u>
LONG-TERM OBLIGATIONS	N/A	<u>\$ 15,585,226</u>	<u>\$ 15,788,131</u>	<u>\$ 15,993,051</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>4,202</u>	<u>4,238</u>	<u>4,224</u>	<u>4,220</u>

The General Fund balance has decreased by \$667,339 over the past two years. The fiscal year 2014-2015 budget projects an increase of \$586,705 (10.66 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in all of the past three years, but anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$407,825 over the past two years.

Average daily attendance has increased by 18 over the past two years. A decline of 32 ADA is anticipated during fiscal year 2014-2015.

<sup>1</sup> Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments of \$1,066,782, \$875,425, and \$926,419 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012.

<sup>4</sup> General Fund amounts do include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**ORCUTT UNION SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Orcutt Academy Charter High School	Yes

See accompanying note to supplementary information.

**ORCUTT UNION SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 12,973	\$ 1,357,415	\$ 11,349
Receivables	443	187,601	-
Due from other funds	-	953	-
Stores inventories	-	17,625	-
<b>Total Assets</b>	<b>\$ 13,416</b>	<b>\$ 1,563,594</b>	<b>\$ 11,349</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,392	\$ 5,728	\$ 11,240
Due to other funds	12,024	193,877	109
<b>Total Liabilities</b>	<b>13,416</b>	<b>199,605</b>	<b>11,349</b>
<b>Fund Balances:</b>			
Nonspendable	-	17,625	-
Restricted	-	1,297,334	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	49,030	-
<b>Total Fund Balances</b>	<b>-</b>	<b>1,363,989</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,416</b>	<b>\$ 1,563,594</b>	<b>\$ 11,349</b>

See accompanying note to supplementary information.

---

<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 436,796	\$ 1,148,862	\$ 2,967,395
449	1,058	189,551
59,204	-	60,157
-	-	17,625
<u>\$ 496,449</u>	<u>\$ 1,149,920</u>	<u>\$ 3,234,728</u>

\$ -	\$ -	\$ 18,360
-	-	206,010
-	-	224,370

-	-	17,625
-	-	1,297,334
-	1,149,920	1,149,920
496,449	-	496,449
-	-	49,030
<u>496,449</u>	<u>1,149,920</u>	<u>3,010,358</u>

<u>\$ 496,449</u>	<u>\$ 1,149,920</u>	<u>\$ 3,234,728</u>
-------------------	---------------------	---------------------

**ORCUTT UNION SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 1,210,775	\$ -
Other State sources	142,992	81,064	-
Other local sources	10,729	596,976	-
<b>Total Revenues</b>	<u>153,721</u>	<u>1,888,815</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
Instruction	141,505	-	-
Instruction-related activities:			
Supervision of instruction	4,487	-	-
School site administration	1,688	-	-
Pupil services:			
Food services	-	1,710,233	-
Administration:			
All other administration	4,654	57,209	-
Plant services	1,360	135,473	-
Facility acquisition and construction	-	-	11,349
Community services	27	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>153,721</u>	<u>1,902,915</u>	<u>11,349</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>(14,100)</u>	<u>(11,349)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	(15,153)	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>(15,153)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>(29,253)</u>	<u>(11,349)</u>
<b>Fund Balances - Beginning</b>	<u>-</u>	<u>1,393,242</u>	<u>11,349</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ 1,363,989</u>	<u>\$ -</u>

See accompanying note to supplementary information.

<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 1,210,775
-	13,525	237,581
1,683	1,039,493	1,648,881
<u>1,683</u>	<u>1,053,018</u>	<u>3,097,237</u>
-	-	141,505
-	-	4,487
-	-	1,688
-	-	1,710,233
-	-	61,863
-	-	136,833
45,845	-	57,194
-	-	27
-	575,000	575,000
-	505,596	505,596
<u>45,845</u>	<u>1,080,596</u>	<u>3,194,426</u>
<u>(44,162)</u>	<u>(27,578)</u>	<u>(97,189)</u>
59,204	-	59,204
-	-	(15,153)
<u>59,204</u>	-	<u>44,051</u>
15,042	(27,578)	(53,138)
481,407	1,177,498	3,063,496
<u>\$ 496,449</u>	<u>\$ 1,149,920</u>	<u>\$ 3,010,358</u>

# ORCUTT UNION SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

---

### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds that were recorded as revenues but were unspent. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 2,437,450
Medi-Cal Billing Option	93.778	<u>(31,658)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 2,405,792</u>

#### Local Education Agency Organization Structure

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

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

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

# ORCUTT UNION SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

---

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

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

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

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

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

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

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



---

---

***INDEPENDENT AUDITORS' REPORTS***

---

---



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

Governing Board  
Orcutt Union School District  
Orcutt, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orcutt Union School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Orcutt Union School District's basic financial statements, and have issued our report thereon dated December 4, 2014.

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

As discussed in Notes 1 and 14 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Orcutt Union School District in a separate letter dated December 4, 2014.

## **Purpose of This Report**

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

*Varrick, Tim, Day & Co., LLP*

Rancho Cucamonga, California  
December 4, 2014



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

Governing Board  
Orcutt Union School District  
Orcutt, California

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

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 (the District) major Federal programs for the year ended June 30, 2014. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

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

## Opinion on Each Major Federal Program

In our opinion, Orcutt Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Orcutt Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Orcutt Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vannink, Tein, Day & Co., LLP

Rancho Cucamonga, California

December 4, 2014



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Orcutt Union School District  
Orcutt, California

### Report on State Compliance

We have audited Orcutt Union School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Orcutt Union School District's State government programs as noted below for the year ended June 30, 2014.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Orcutt Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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 opinions. Our audit does not provide a legal determination of Orcutt Union School District's compliance with those requirements.

### Unmodified Opinion

In our opinion, Orcutt Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

**Other Matters**

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
<b>Attendance Accounting:</b>		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Not Applicable
<b>Instructional Time:</b>		
School Districts	10	Yes
<b>Instructional Materials:</b>		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
<b>After School Education and Safety Program:</b>		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
<b>Charter Schools:</b>		
Contemporaneous Records of Attendance	8	Yes
Mode of Instruction	1	Yes
Non Classroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Non Classroom-Based Instruction	3	Yes
Annual Instruction Minutes Classroom-Based	4	Yes
Charter School Facility Grant Program	1	Yes

We did not perform testing for the Orcutt Union School District's Independent Study because ADA was below the threshold required for testing.

*Vannink, Tim, Day & Co., LLP*  
 Rancho Cucamonga, California  
 December 4, 2014

---

---

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

---

---



**ORCUTT UNION SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553 and 10.555</u>	<u>Child Nutrition Cluster</u>

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

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
---	-------------------

**ORCUTT UNION SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**ORCUTT UNION SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**ORCUTT UNION SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**ORCUTT UNION SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

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



Governing Board  
Orcutt Union School District  
Orcutt, California

In planning and performing our audit of the financial statements of Orcutt Union School District for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2014, on the financial statements of Orcutt Union School District.

### **2013-2014 Observations and Recommendations**

#### ***DISTRICT OFFICE***

##### ***Cash Control***

##### **Observation**

During our interview process, we were informed that money collected is not being secured completely prior to being deposited and that on occasion personnel have used the awaiting cash for making change on larger bills. Additionally, the district has a locked location but the key access is known so the controls are not effective regarding proper security of cash awaiting deposit. Further inquiry did not disclose any money has been missing but the potential for misuse is high.

##### **Recommendation**

The District should eliminate the access to cash awaiting deposit and provide a secure location.

## 2012-2013 Observations and Recommendations

### *Associated Student Body Student Stores Inventories*

#### **Observation**

The inventory value at Orcutt Junior High ASB of approximately \$9,000 at June 30, 2013, has some existing clothing items that are not selling consistently and appears to be overstocked. The review of yearly sales with unique color or styles is sometime restocked beyond required projected sales. The inventory values are increased as a result of bulk purchases and or outside school campus sites colors with the vendors that are beyond a projected yearly sale potential.

#### **Recommendation**

The Store's inventory clothing items should be reviewed and matched with yearly sales projections. Additionally, the unpopular or extremely slow selling items should be eliminated from future orders. An action plan will need to be developed to sell the overstocked products at cost or slightly above/below cost to reduce the inventory to a dollar value that represents a conservative inventory turnover ratio.

#### **Current Status**

Implemented.

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

*Vannink, Tim, Day & Co., LLP*  
Rancho Cucamonga, California  
December 4, 2014